



AN OPPORTUNITY TO SAVE MONEY

AS publishers of this magazine, we have pledged ourselves to stand by the President and the National Recovery Administration, and, insofar as we can, to help make their aims come true.

Like many other businesses and industries, a magazine publisher faces the fact that costs of doing business advance much more than increased revenue. Not only do our payrolls increase, but patriotic printers and paper manufacturers, and the multitude of others whose efforts all contribute to the making of a magazine, likewise find their costs mounting upward. To a certain extent these are already being passed on to us. It is inevitable that before long these increases will assume serious proportions.

This important question confronts us—must we raise our subscription rate? Looking back to the last period of high prices—the World War—for a precedent, we discover that that is just what did happen then. Our price was increased to 35c a copy and \$4.00 a year.

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We will frankly admit that this offer is not entirely unselfish. The immediate increase in revenue, which a wide acceptance of this plan would bring in, would enable us to redouble our efforts to promote and increase business, which is the principle underlying the efforts of the N. R. A. By this co-operation you can help us to do our part in a bigger and better way.

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Volume LXXXVIII

Number Three

REVIEW OF REVIEWS

AND WORLD'S WORK

Edited by ALBERT SHAW

The Progress of the World

Solving Our Economic Problems, 11... The President Becomes an Umpire, 11... Roosevelt Habits of Courage and Decision, 12... Liquor Taxes for Public Works, 14... A Billion More Offered to Banks, 14... Uncle Sam's Credit Remains Unshaken, 15... House-Cleaning on the Exchanges, 16... Changing Aspects of World Trade, 17... Treaties Instead of Tariffs, 18

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THE REVIEW OF REVIEWS CORPORATION

ALBERT SHAW, President; ALBERT SHAW, JR., Secretary and Treasurer
Publication office, 4600 Diversey Avenue, Chicago, Ill. Executive, editorial, and advertising offices,
233 Fourth Avenue, New York City.

TERMS:—Monthly, 25 cents a number, \$3.00 a year, two years \$4.50. Second class entry applied for at Chicago, Ill. Post Office, under act of March 3, 1879. Additional entry at Dupellen, N. J. Printed in the United States of America. THE REVIEW OF REVIEWS AND WORLD'S WORK is on file in public libraries everywhere and is indexed in the Reader's Guide to Periodical Literature.



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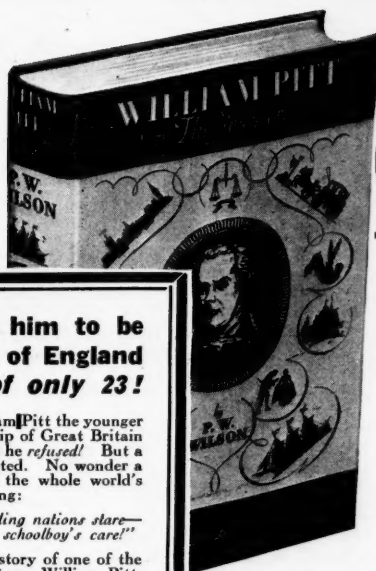
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Is Your FOOD EXPLODING into these Ailments?

YES—virtually exploding! Unknowingly, thousands daily commit CRIMES against their stomachs! Some of the internal reactions of foods men and women eat are dynamite to health—sowing seeds of 95% of all ailments. Those shown above are only a few traced to wrong use of food.

REDUCES 26 lbs.
"Am eating more and larger variety of foods, but have lost 26 lbs. of excess weight." W. A. L. Cleveland, Ohio.

CONSTIPATION GONE
"After 4 1/2 months, convinced this is way to health. Had taken pills every day for 4 years, have been able to stop them, also have stopped cramps." A. S. A., Philadelphia, Pa.

No More COLDS
"Was subject to colds, but have not been ill a day since very first month. Costs less than way of eating formerly; much easier to shop and select food." C. H. F., Morgantown, W. Va.

BLOOD PRESSURE DOWN
"Doctoring for years; obtained no benefit. Like miracle to improve so much in only 2 weeks! (Pressure down from 235 to 100)." A. C., Huntington, L. I., N. Y.

Ends ARTHRITIS
"Had Arthritis for 5 years. Some days could not straighten leg; used cane. Two prominent doctors admitted knowing no cure. Have now discarded cane, straighten knees, health improved every way, take walks with no ill effects." G. D. J., East Orange, N. J.

Was SINUS sufferer
"You have greatest health idea in world. Am a remade man today. And without drugs, strenuous of psychology. 8 doctors tried my cure. Your treatment was only one counted." J. E. C. Scarsden, Pa.

But NOW remarkable health results are being obtained with ordinary foods (as shown in letters at left)—through a New Way to Eat!

Seemingly hopeless ailments of years standing have been cleared up quickly without drugs or expensive treatments. This is not a fad diet. Because now, for the first time, the true health-uses of all foods, separately and in combination with other foods—and their surprising effects within the body—are revealed!

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The facts about this amazing discovery are now ready for you! Rasmus Alasker, M. D., of Sun-Diet Health Foundation, known from coast to coast for his ability to cure with food, has proved in thousands of cases that a new way of eating the same foods you like now can bring you a radically new kind of health.

And Dr. Alasker has at last put his methods into one of the most important books on food and the body ever written: "The Master Key to Health."

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Please send me "The Master Key to Health." When postman delivers it I will pay \$3, plus few cents postage. It is distinctly understood that, if I care to, I may return the book within 7 days. It is also understood that if eating this new way does not—within one month—actually and definitely improve my health and appearance I may return the book. In either case my \$3 is to be refunded at once.

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THE WORLD OF BOOKS

Current Reading

No More War!

The First World War: A Photographic History, Edited by Laurence Stallings. Simon & Schuster, 298 pp. \$3.50.

MORE THAN 500 photographs have been put together in this book, chronologically, to remind us of the facts of war. The publishers in their foreword deny any "special pleading", but consciously or otherwise the editor of the volume has produced the most effective anti-war propaganda that has come to this reviewer's attention. Its very title, "The First World War", contradicts the feelings of the reader.

It is hard to realize that there are fifty million persons in the United States (of twenty-one years of age or under) who were either unborn or less than six years old when the war ended. For most of them this volume will be as newsy as tomorrow's newspaper. For older folk it will revive memories long forgotten. The editor's terse captions, often one or two words only, are a feature of the book. Laurence Stallings the reader will remember as one of the authors of the successful war play, "What Price Glory".

A Fortune Biographed

Mellon's Millions, by Harvey O'Connor. John Day, 443 pp. \$3.

THE AUTHOR of this book used several descriptive phrases in speaking of his work. He calls it "The Biography of a Fortune", and "The Life and Times of Andrew W. Mellon". Even these two do not adequately describe the fields which the book covers. Its author has made it a sidelight on various phases of government, of big business gradually growing bigger, of national and international politics, of the characters of Mr. Mellon's immediate forbears, and of Mr. Mellon himself. All of these things are embraced in this "Biography of a Fortune".

The author's background as editor of several radical papers bears out a prejudice evident throughout the book. His ability as a biographer, however careful his documentation, suffers as a result of his failure to find any good whatever in Mr. Mellon.

Cuba

The Crime of Cuba, by Carleton Beals. Lippincott, 505 pp. \$3.

SOMEONE CONNECTED with the publication of this book must have had a premonition that upon its appearance Cuba would be a subject very much in the news! For this is a book with an appeal of timeliness.

Judging from this book Mr. Beals is

certainly not in favor of the Machado régime in Cuba. Nor does he think much of the American policy which he considers to be at least partially responsible for Cuba's plight.

A feature of the book is a fifty-page section bound into the back, and made up of pictures showing Cuban conditions. There are gruesome pictures among them; and like those in another book reviewed in this issue, they speak more eloquently than words.

Heritage of Courage

The Cowards Never Started, by Roy Dickinson. Franklin Pub. Co., N. Y. 57 pp. 50 cents.

THE BRAVE of every land ventured forth to found America; the timid never started and the weak died by the way. No depression nor temporary falling away from high ideals can long daunt such a people. Inevitably, the vision of their forefathers, reborn under such leadership as President Roosevelt is providing, must sweep them onward to greater triumphs. The sons and daughters of ten thousands of pioneer heroes are again beginning to dream, again beginning to judge a man, not by what he has in the bank, but by what he has in his heart and in his spirit. Thoughts of this nature prompted Roy Dickinson, vice-president and associate editor of prosaic *Printer's Ink*, to pen one of the most succinct, inspirational, and mellowsly wise messages of our time. For many years Mr. Dickinson has been mixing beautiful English with hard business facts but never more successfully than in this timely task of selling renewed confidence in themselves to a misdirected and uncertain people.

Today's Religion

The Better Part, by Lyman P. Powell. Bobbs-Merrill, 212 pp. \$1.50.

DR. LYMAN P. POWELL is known to the readers of this magazine by his occasional articles on religion and kindred topics, if not by his recent best-selling book, "Mary Baker Eddy: A Life-Size Portrait". He is Rector of St. Margaret's church in the Bronx, New York, and from his study there comes this new contribution. It is, briefly, a spiritual inventory of these times. To quote from his summary:

"A spiritualized democracy is on the way. It, in fact, is here. It knocks on every door. It is a Christianity made up, as years go by, of men and women into whose lives the Christian essentials have emerged, who in consequence live every day a personal religion, share every day, with all who need, as all do need, the better part."

Bargaining with Labor

Labor Relations under the Recovery Act, by Ordway Tead and Henry C. Metcalf. Whittlesey House, 259 pp. \$2.

HERE IN a small and readable volume is an excellent discussion of the relations between labor and management. We are told all about employee representation, collective bargaining, trade associations, and industrial councils. Such procedure has wider application under the National Industrial Recovery Act, and many employers will be studying it carefully who never before gave it a thought. The book tells why and how employee representation should be encouraged, and the actual form and content which a collective bargain should wisely include. The authors have journeyed before in the field of personnel administration.

Washington to Harding

The People's Choice, by Herbert Agar. Houghton Mifflin, 337 pp. \$3.50.

BIOGRAPHY, history, and politics are judiciously combined by Mr. Agar in this volume, which attempts to appraise the careers of twenty-eight men who have been elevated to the Presidency. The story ends with Harding. The author finds that his subjects divide naturally—and chronologically—into three groups. Under the first seven Presidents the Government was an oligarchy. Under the next ten (Jackson to Lincoln, inclusive) it was a democracy. Since the Civil War the Government is described as a plutocracy.

It is an ambitious project, this comparative study of our Presidents in a single volume, but the author does not hesitate to use plain words and to grade his subjects definitely. Probably he would be the last to expect that his readers should agree with him in every instance.

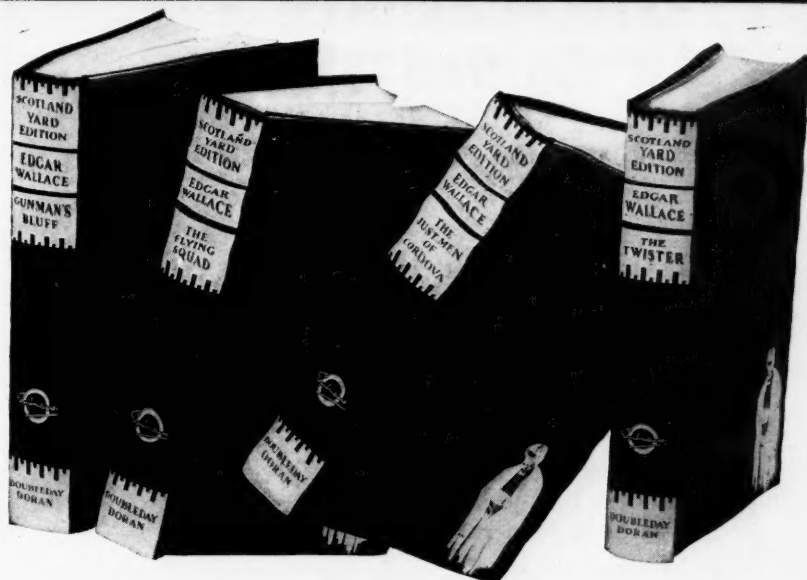
Days of Kean

Edmund Kean, by Harold N. Hillebrand. Columbia University Press. \$5.

IF A biographer's imagination fills in for us the thoughts of his subject and permits no gaps of fact to stay his pen, we may revel in a vivid tale but we find it best to keep a few salt grains handy. If on the other hand the biographer has done a thorough research job, accepting no statements without verification, and when doubts are grave, has presented the whole mingled mass of legend and probability, the result may be less entertaining but vastly more satisfying. It is in this second manner of scholarly biography that Harold Newcomb Hillebrand, professor of English at Illinois University, has written "Edmund Kean".

Mr. Hillebrand has given us a lively contemporary picture of critical controversies raging over his strange and brilliant readings of the classics, and of the participation of the public in his meteoric popularity, in his rivalry with Booth and Kemble, and in his tragic decline. . . . Kean visited America twice in the 1820s. During the first tour

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Wallace is conceded to be the most renowned of all mystery fiction writers. His tales of criminals, crafty crooks and shrewd detectives are unsurpassed. You'll thrill as never before as you follow Scotland Yard's greatest minds while they lead you through each breathless episode in their unrelenting pursuit of vicious murderers and wary criminals.

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OUR PERNICIOUS VIRTUES, by I. A. R. Wylie
THE UNMARRIED WOMAN'S DILEMMA, Anonymous
I HOLD OFFICE, by Holmes M. Alexander
PARETO AND THE SOCIAL ORDER, by Bernard De Voto
ROCKEFELLER, RIVERA, AND ART, by Walter Pach

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The World of Books

Continued from page 5

critical discord was largely drowned in the general acclaim. But scandal, in which he played a despicable rôle, blackened his reputation between visits, and his second appearance precipitated a riot in Boston. Those who politely withhold their applause at bad performances today will delight in Mr. Hillebrand's sedulous account of the good old days. Audiences have sadly deteriorated since the smashing triumphs and equally smashing defeats of Mr. Kean.

Briefer Comment

• • THE BEST English thought goes into a volume entitled "Monetary Policy and the Depression" (Oxford University Press, \$2.75), uniform with earlier publications on gold and agriculture. It is a product of the Royal Institute of International Affairs, impartially indicating the nature of various possible solutions of the international monetary problem, and is a balanced statement of the elements that must be taken into account. A unique feature is its chronology of the depression.

• • "THE AUTOBIOGRAPHY of a Liverpool Irish Slummy" leaves an unforgettable picture of the way far too many people in this world are forced to live. Pat O'Mara has made his book a bitter reminder of inexcusable conditions, but at the same time a good story of an adventurous life. (Vanguard, \$2.50.)

• • TO THOSE WHO, despite 1929, intend to play the stock markets, a series of paper-bound pamphlets sponsored by Stock Market Publications, New York, can undoubtedly be sources of information. Each pamphlet, selling for \$1, covers one phase of the many faceted theory of investing practice. Five recent titles are the following: "Low Priced Stocks, When and How to Buy Them"; "The Point and Figure Method of Anticipating Stock Price Movements"; "Short Selling"; "Charts, How to Make and Read Them"; "Stop Orders, How to Use Them for Profit".

• • A SCHOLARLY study of Germany is "Modern Germany, A Study of Conflicting Loyalties", by Paul Kosok (University of Chicago Press, \$3). Up-to-date (the Hitler régime is included) the book has about it an air of authority and definiteness.

• • IN CANADA, in 1925, three great Protestant churches joined hands as The United Church of Canada. The three denominations were the Congregational, Methodist, and Presbyterian. "Church Union in Canada", by Claris Edwin Silcox (Institute of Social and Religious Research, New York, \$3) is a detailed account of the way union was accomplished, and of its present circumstances.

• • HARVARD UNIVERSITY PRESS has just issued Volume XX of the Harvard Studies in Education: "The Sound Motion Picture in Science Teaching" (\$2.50).

• • HAMILTON FISH ARMSTRONG, the distinguished editor of *Foreign Affairs*, writes "Hitler's Reich". It is his answer to many questions, of which the following are typical: What is happening in Germany? What is the Difference Between Hitlerism and Fascism? What does Germany's Future Hold? (Macmillan, \$1).

• • WOMEN do the writing in "America Through Women's Eyes", edited by Mary R. Beard. She has culled from journals, letters, and books of three centuries to see what American women have thought of the days in which they were living. Their original writings, welded together by Mrs. Beard's comments, present a new picture of America (Macmillan, \$3.50).

• • IT IS AN UGLY PICTURE of ugly politics that James E. Finegan paints in "Tammany at Bay" (Dodd, Mead, \$2). He calls for a fight for political decency, but is not content merely to call. He offers his plan for the fight—for an anti-Tammany revolt.

• • JOHN PIERPONT MORGAN, John D. Rockefeller, Jr., George F. Baker, Thomas W. Lamont, Otto H. Kahn—these and eight other equally prominent men are the subjects of the sharply observant—but anonymous—author of "The Mirrors of Wall Street". It is not a hero-worshipping book; but it is a humanizing one. (Putnam's, \$2.50.)

• • SAYS STUART CHASE in his introduction to "Bankers vs Consumers" (John Day, \$1.50): "Mr. Mallon—the author—is moving in step with economic realities; he is thinking straight in the right direction". Mr. Mallon would strip banks of much of their present power.

• • IN VARIOUS PARTS of the country, at various times in our history, coöperative marketing projects have sprung up. Most of them have failed, but in the chief industry of one section of the country they have had marked success. Wilson Gee and Edward Allison Terry tell about these particular projects in "The Cotton Coöperatives in the Southeast". (Appleton, \$3.25.)

• • A TIMELY addition to the Home University Library of Modern Knowledge is "International Trade", by Barrett Whaley. (Henry Holt, \$1.25.)

• • "INSTEAD OF DICTATORSHIP" is No. 31 in the John Day Company's series of thought-provoking pamphlets on problems of the day. Henry Hazlitt advocates a government without a Congress, preferring to replace it by a board of directors composed of twelve outstanding men. He suggests twelve possible members, only to find fault with some of his choices! (25 cents.)

• • WILL DURANT writes "The Tragedy of Russia" after only a brief visit to that country. But his book (Simon & Schuster, \$1.25) is the result of much thought and study of the day's most talked of nation.

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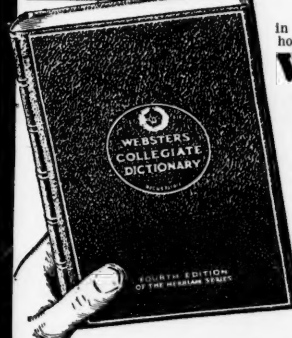
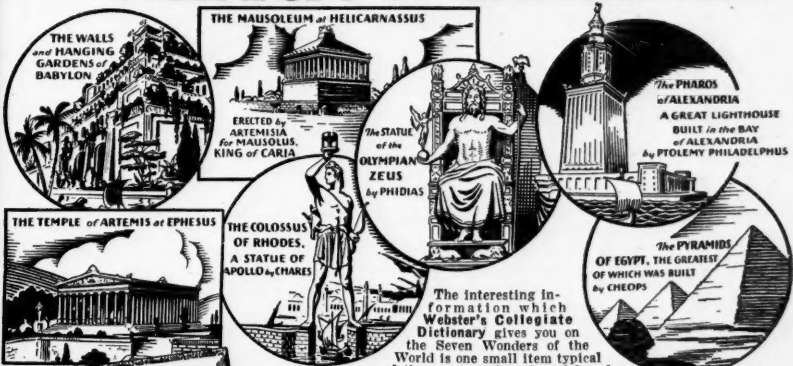
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Our Authors

• • ON JULY 27 Spain added her name to the list of governments recognizing the Soviet Union, thus making twenty in all. As the perennial question of American recognition is discussed in high places, three observers, with widely differing viewpoints, offer their ideas on the subject to readers of this magazine.

• • P. W. WILSON, whose articles now appear regularly in these pages, considers recognition from the standpoint of political policy. A student of history, government, and politics, as well as a journalist, Mr. Wilson finds many precedents for recognition. But such action on the part of the United States will not close issues between Capitalist and Communist governments, he concludes.

• • WILLIAM C. WHITE writes from the vantage-point of one who has lived and studied in Soviet Russia. A graduate of Princeton in 1923, Mr. White took his master's degree at the University of Pennsylvania. From there he was sent as a Penfield Scholar to do research work in Russia from 1927 to 1930. "These Russians", a book based on his experiences at Moscow University and elsewhere, attracted wide attention in 1931, as did his numerous articles on Russian life under the new régime.

• • HARRISON H. WHEATON discovers "Some Dangers of Russian Trade" as a result of research into the bank statements and commercial statistics of foreign nations. In his capacity as president of the Institute of American Business, Mr. Wheaton is called upon to investigate commercial enterprises for American business firms. Among his clients are those interested in the possibilities of developing a Soviet market. Mr. Wheaton has collected an extensive file of British, Italian, and other European bank statements. He has studied documents offered by Soviet Russia herself, and the findings of nations which have had dealings with the Soviet. During the World War he organized and conducted the "America First" movement, serving as chairman of the Executive Committee of the National Committee of One Hundred.

• • EDWARD N. HURLEY author of "The Road to Industrial Recovery", is probably best known to the American public for his services during the World War. Equally distinguished, however, are his activities in industry and finance. Early in his career Mr. Hurley originated and developed the pneumatic tool industry. Today he is chairman of the board of the Hurley Machine Co. of Chicago, and a director of numerous corporations and business enterprises. In 1913 Mr. Hurley was Trade Commissioner to the Latin American Republics, and later, chairman of the Federal Trade Commission until 1917. As chairman of the United States Shipping Board and president of the Emergency Fleet Corporation from 1917 to 1919, he was in close contact with President Roosevelt, then Assistant Secretary of the Navy.

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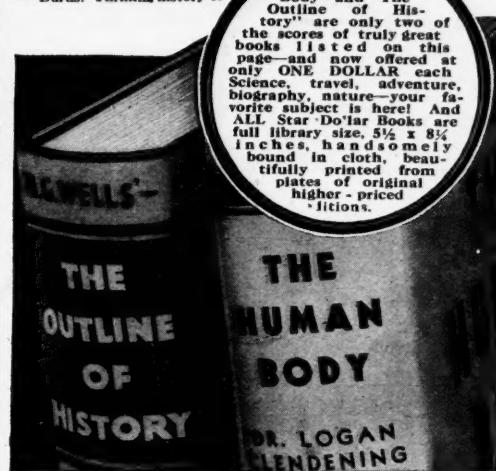
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◦ THE PROGRESS OF THE WORLD ◦

By ALBERT SHAW

Solving Our Economic Problems

WE ARE LIVING through days and weeks of thrilling significance, because the country is experiencing something akin to what used to be known in evangelical circles as a revival of religion. Stated in simple terms, it means that we can adopt better ways of managing our affairs, *here and now*. We have suddenly discovered that reforms do not have to await the coming of an indefinite, distant future. We are proposing to substitute coöperative methods for a competitive struggle that has at length become disastrous rather than promotive of further progress.

The civilization that we had been creating had proved itself for the most part sound and good. It has given us a generation of citizens of far higher physical, mental and moral status than that of a hundred years ago. Our economic problems are those of readjustment. They are puzzling, but they can be solved. Our troubles have been largely due to our neglect of the mechanisms of credit and prices. We had entered upon public and private business activities that involved borrowing upon a prodigious scale, but we had failed to make proper provision for the possibilities of repayment.

Our governments, national and local, had borrowed too freely, and had used the money thus obtained with too little regard for the future. The national Government had been victimized by fallacious theories of war finance, and by the unresisted rapacity that multiplied costs. Private debt burdens were largely incurred by farmers as well as by manufacturers because war-time wage scales made the use of new labor-saving devices imperative. Temporary prosperity made it possible to pay high taxes, and Congressional extravagance set the pace for the governments of states and municipalities. When foreign markets ceased to buy our surplus products, and commodity prices fell to levels below the cost of production, public revenues declined by half, because income had vanished and high taxes could not be paid.

Private indebtedness could not be supported because debts were due in dollars of undiminished gold content. We must somehow work our way to a position where we can carry the load of past indebtedness without too painful a mortgaging of our future. As yet there has been no flooding of the country with irre-

deemable paper money. Price levels are advancing in a healthy way, and we may in the near future discover that the purchasing power of dollars is practically the same as it was in the years just before the war, or in the post-war seasons of 1925 and 1926.

The methods by which the Government is attempting to correct some of the worst dislocations in the broad field of American agriculture are quite simple in principle, but they are boldly experimental in practice. Cotton, wheat, dairy products and other staple things have been produced in excessive quantities, and have been selling below cost. Industrial recovery will to some extent improve the demand for food products; but the supply, in the meantime, should be reduced in order to relieve glutted markets. The Secretary of Agriculture is authorized to compensate farmers for limiting their acreage of cotton, wheat, and some other staple commodities.

Already Secretary Wallace has applied the new policy to the cotton situation in the South. He has assigned wheat quotas to states and counties for next year's crop, basing these quantities upon the statistics of production in recent years. He is empowered to take unproductive lands out of actual cultivation by lease or by purchase, in coöperation with states and local governments. Almost every country in Europe is making it a matter of government policy to secure the best social and economic results from improved utilization of its landed domain. Our Government had settled millions of people upon agricultural lands, under the homestead laws of the last decades of the Nineteenth Century. We have reached a turning point; and new agricultural policies on a great scale are necessary if we are to maintain the rural civilization that we had formerly created with so much confidence in its value and its permanence.

The President Becomes An Umpire

UNDER THE National Industrial Recovery Act we are engaged in a series of experiments. The portion of the Act that held the country's attention last month was that which concerned the Government's control over every form of private business activity. It was well understood when the Act was passed that a kind

THE CENTURY OF PROGRESS continues daily to attract to Chicago thousands of visitors from all parts of the world. Each carries away a different set of impressions. One of America's better known camera craftsmen, John Paul Pennebaker, has recorded his own interests in the form reproduced here. Technically it is known as a photomontage.

of authority was reposed in the President such as never had been exercised before in the United States, even in war time. The American people are not by nature meek or submissive; but they are reasonable, and they are intelligent. This means that they are capable of developing forces of public opinion that can make a given policy successful if they approve, or unsuccessful if they refuse to uphold it.

This being the case there is no real danger to be feared from arbitrary action on the President's part. It is worth while to remember that there is latent in a democratic government all the power that the supreme will of the people cares to invoke, as regards the property and even the lives of the citizens. In the present juncture of affairs, we are creating no new power, but we are invoking a power that had been dormant. And we are reposing the exercise of that power in the office of the Chief Executive. We have proceeded in a manner strictly in keeping with our principles of government. There was no assumption of authority by the President. He is acting by virtue of a law that was carefully considered, and that was enacted by sweeping majorities in Congress.

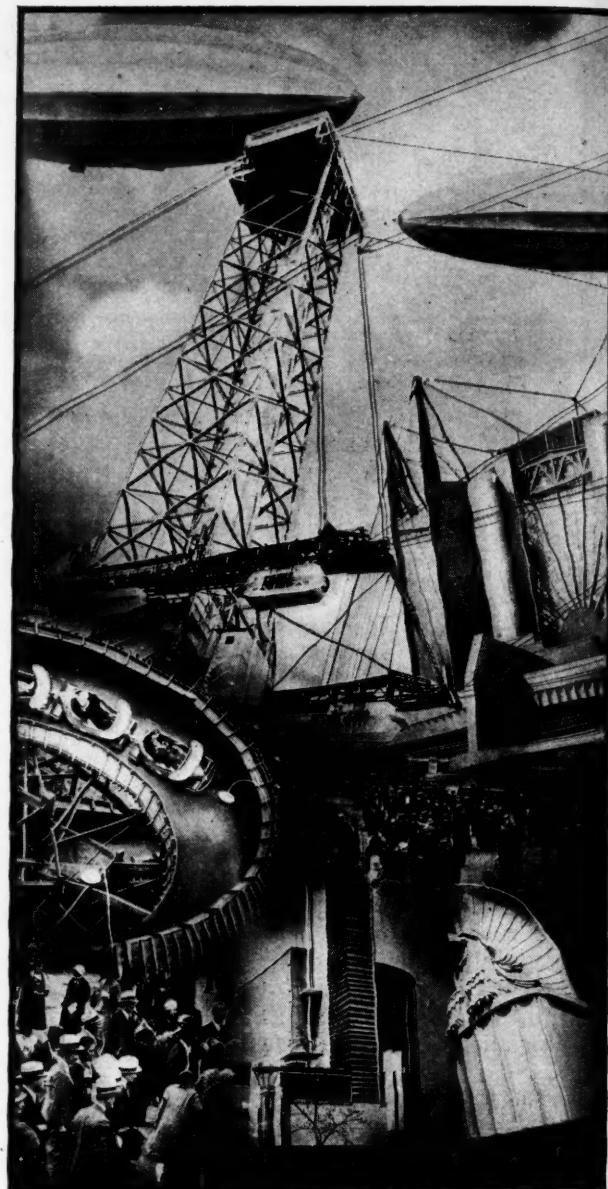
The President's relation to American business today is that of an umpire, or an arbitrator-in-chief. He is not putting the Government into business, but is using a firm hand to harmonize the various factors in one industry after another. He is helping to bring order out of confusion.

The principles upon which the President is proceeding, in the work of the NRA, are admirably stated for our readers in an article by Hon. Edward N. Hurley, which he entitles the "Road to Industrial Recovery". Mr. Hurley has had wide experience in business affairs and also in public service. His article is lucid in its account of the present situation, and it is reassuring in its confident support of the President's policies and methods.

Certainly for the past half-year it has been to our advantage as a nation to support President Roosevelt's leadership in critical situations. We were in dire distress, and some people who were arrogant through too much past prosperity were obliged to sacrifice their pride of opinion. Congress was brought into line, and did not adjourn until it had fully legalized and endorsed the President's program.

Thus the first half of Franklin Roosevelt's initial year in the White House has been one of remarkable achievements. He has tossed off decisions of stupendous importance day after day, with all the prestige of a professional expert who was giving his services as umpire of a village ball game. We are repeating this suggestion of the "umpire", because in so many of the things that come before Mr. Roosevelt he is performing precisely that kind of function.

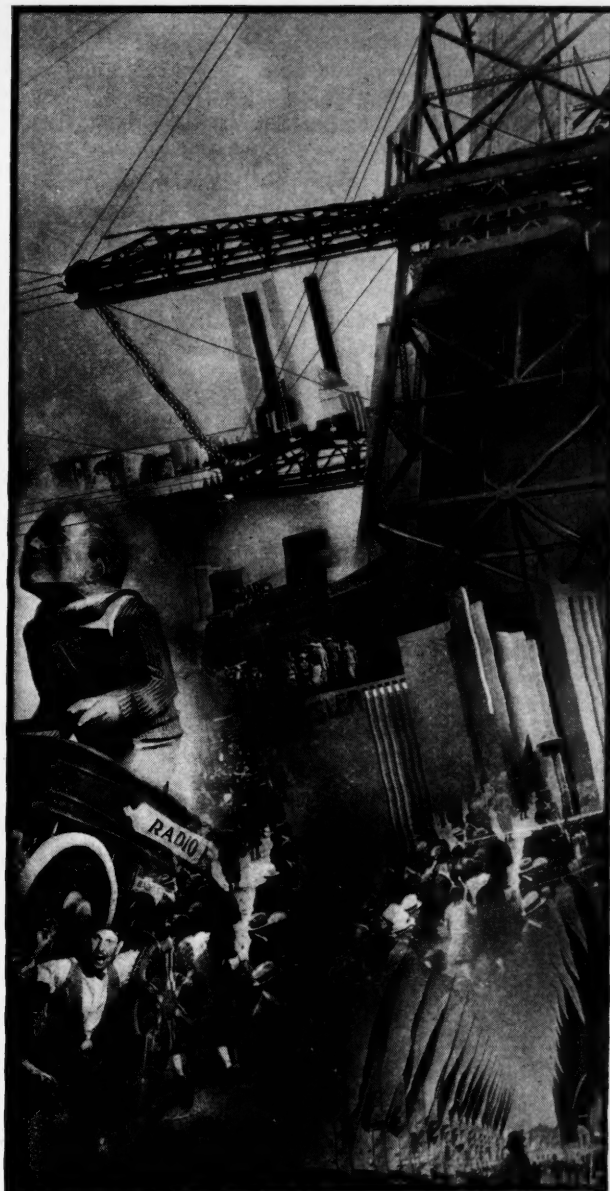
He has seemed able to turn predicaments into op-



portunities. Thus nobody could say that President Roosevelt threw us off the gold standard in order to give his economic experts and theorists a chance to try out the plan of an elastic dollar. But since the bank panic had led to the hoarding of gold, thus forcing us to follow the example of Great Britain and suspend the gold standard, Mr. Roosevelt was quite ready to turn that unexpected situation to good account.

Roosevelt Habits of Courage and Decision

ANOTHER SESSION of Congress will fall within the second half of Mr. Roosevelt's first year. But before New Year's Day he may accomplish so much of clear benefit to the American people that they will not allow Congress to run riot and unbalance situations that he has been stabilizing. It is important for all interests as they begin to enjoy some relief in the movement toward normal times that they should remember to be grateful, and should not cease to be coöperative. We have a long road yet ahead of us, and the leadership of the President must be sustained.



By John Paul Pennebaker (Underwood & Underwood Illustration Studios, Inc.)

It is quite unnecessary to criticize severely the methods used by one or another of the President's agents or committeemen in the recovery program. President Roosevelt is not himself a fanatic, and he is altogether open-minded. In two great qualities he resembles his kinsman, the former President Theodore Roosevelt. First, he is courageous. Second, he is decisive. Like Theodore Roosevelt, his mind assimilates quickly the essential points of view of his advisers, including practical experts as well as theorists.

He is a good politician because he knows he must keep with him the forces of public opinion. He is a first-rate executive, because he knows that the administrative mind must not dally or postpone or bother about consistency. The Chief Executive must decide, in advance of the final day of judgment. He must not adopt the methods of a jurist presiding over a trial. In short, the successful executive must act promptly in emergencies, like a commander on the field of battle. It would be inconceivable that Mr. Roosevelt should not make mistakes; but we shall admire him the more for his readiness to change his tactics—or even to alter

his strategy—without stopping to apologize when he finds that there have been errors.

Some of our readers, beyond a doubt, will be questioning the entire feasibility of the NRA program for leading the country back to normal conditions; yet there are times when to hesitate is to be lost. Not to support the President, whose sincerity is beyond question, and whose quick intelligence has won universal admiration, is to enlist oneself on the side of confusion and dismay. The only clear path is the one that the Administration is blazing. The best minds in the country are engaged in this patriotic effort of the NRA to make our economic machinery work in such a way as to benefit everybody. We must not forget for a moment that the situation has been desperate, and that the new policies have been devised to meet unprecedented emergencies. If the best public opinion does not continue to support the President, we may find ourselves faced by extremely unpleasant alternatives.

There was danger that the advance of prices and the resumption of activity in leading industries would soon begin to disclose the fact that the consuming public

could not buy all the new goods that were being offered. The administration of the National Recovery Act found that while prices were going ahead, and industry was starting up, under-consumption was persisting, through necessity and also through habit. All about us were great numbers of willing workers, still asking to be employed. While there was so much competition for jobs, along with absence of purchasing capacity, it seemed impossible for manufacturers, merchants and other employers to raise the level of wages and at the same time to employ more people.

President Roosevelt, acting through the agencies set up by General Johnson as head of the National Recovery Administration, began to put special emphasis upon what we may term the problem of mass consumption. At first it had been planned to deal with leading industries such as steel, coal, automobiles, petroleum and so on. They were all instructed to agree upon rules that would have a tendency to shorten hours of work, to increase the number of employees, and thus to enlarge the total payrolls. This was a difficult thing to do, because in most industries the owners of invested capital were getting nothing at all, and were even sacrificing reserves, to meet payrolls that were more than absorbing the net profits.

President Roosevelt's mind is not closed to the lessons of experience, and he does not ask anyone to do what is impossible. He will not believe that there can be magic enough in the general signing of "codes" to make water run up hill. The best thing about the National Recovery Act was the authority to suspend anti-trust inquisitions. It is proper that the President should substitute a better form of Government oversight and control to prevent unfair practices in some of the larger industries. But there are other forms of human enterprise and activity to which the Government's new system of "codes" should be applied with care, lest more harm than good might result.

President Roosevelt knows that his new powers have to be employed experimentally, in the light of the best wisdom that is available. He has around him not merely a group of academic economists, but also a larger group of experienced men of business and public affairs. Once more, our advice to the plain citizen is to do his best to follow where the President leads, while also getting as much education as possible out of our novel experiences in these unusual times.

Liquor Taxes for Public Works

A DISTINCT PART of the program for diminishing unemployment is the provision for the expenditure of more than three billions of dollars upon a program of public works distributed throughout the country. The Secretary of the Interior, Mr. Ickes, is the general director of this commitment on the part of the United States to greater expenditures than have ever been undertaken before in peace time at a given moment upon projects of a permanent character. The American people have faith in their country, and they have only begun to utilize its resources for the general welfare. It is a sound principle to make permanent improvements at times when there is wide-spread unemployment. But such improvements should be paid for on some plan that will not unduly burden future taxpayers.

We are publishing a timely article in the present number by Mr. Raymond Clapper on the public works

program of the Government, as Secretary Ickes is developing it. There are monumental examples of extravagance and graft in former governmental expenditures for public works that could easily be cited. We have every reason to believe that the new program will be carefully devised as regards the projects themselves, and honestly executed from the financial standpoint. Besides engineering experts, every plan will be considered by an advisory committee of which Mr. Fred-eric A. Delano is chairman.

It would readily suffice to pay for these public works in a few years, if a part of the profits that have been illegally exacted from the public by bootleggers could be captured by the Government and applied to the execution of the President's program of construction. When both political platforms last year favored the submission of prohibition repeal to special state conventions, it was suggested in these pages that Congress might prescribe dates for the necessary state elections and convention meetings, persuading the states to accept such dates by the simple device of a Federal appropriation sufficient to cover state expenditures. Previous amendments had been acted upon by legislatures when in session, thus involving no expenditure of any kind. But when Congress decided that the prohibition repeal amendment must be acted upon in state conventions, it was instructing the states to make an unusual expenditure of money.

Some of the states, in order to obtain early action, had to assemble their legislatures in extra session to provide for the election of delegates and the holding of conventions. A small Federal appropriation would have secured the prompt ratification of the amendment by thirty-six states, with the consequence of bringing the liquor traffic under early control, thus providing a new source of public revenue. It is probable that the amendment will have been ratified by the action of as many as thirty-six states before the end of the present year. But the failure of Congress to provide properly for the state conventions will have proved to be a costly mistake. Repeal, when accomplished, will doubtless have secured the endorsement of more than two-thirds of the voters.

A Billion More Offered to Banks

OUT OF THE FAILURE and disgrace of American banking, in the exposure of its structural weakness six months ago, there must emerge some permanent reform that will provide a system capable of meeting future shocks and strains. The extra session of Congress, completing its work on June 15, gave us among other exceptional measures the Glass-Steagall bank act. Its plan of deposit guarantees may be regarded as temporary but timely. It provides for the more general inclusion of banks in the Federal Reserve System. It authorizes branch banking, under certain limitations. Its merits and its defects alike will be shown by experience during the coming year. Regardless of exact legal details, the Government at Washington has assumed practical control of banking functions throughout the United States, and by one means or another we shall see the decline of the separate state banks, until there comes into being a complete system by virtue of which there will be no more bank failures.

With the beginning of August the authorities at Washington decided that the banks ought no longer

to be merely on the defensive, and that they might as well forget themselves and their recent troubles and begin to take a strong part in the universal movement for national recovery. The Reconstruction Finance Corporation has by no means ceased to function, although some of its fields of credit relief have been transferred to other government bodies, or else have outgrown the need of help. On the first day of August, Hon. Jesse H. Jones, who is now Chairman of the Reconstruction Finance Corporation, made a bold proposal to the banks of the nation.

Mr. Jones believed that the renewed vitality of general business, under stimulus of the "recovery" program, would naturally have the effect to increase the demand for commercial loans. But he recognized the fact that great numbers of banks had sacrificed a part of their surplus, and even their capital stock, in absorbing losses and liquidating slow or frozen assets. In view of these conditions he declared: "The Government is now willing further to repair these losses and, in effect, to carry the slow assets by the purchase of preferred stock in sound banks on a very favorable basis. A billion dollars, or even a half billion dollars, of added capital to the banks of the country, can be multiplied many times in the extension of credit. Ample bank capital will not only strengthen the banks and make it possible for them to respond to the credit needs of the country but it will strengthen the morale of the bankers, and both are necessary if we are to conduct our banks in harmony with the recovery program."

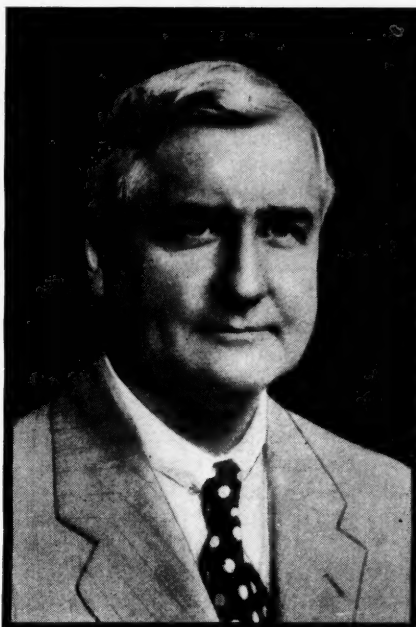
Proceeding further he declared: "Credit is the bloodstream of all business, and banking is the heart. Business must be financed by bank deposits, and banks that accept deposits and do not extend credit in a reasonable way will not contribute to the general economic welfare nor to business recovery. There can be no sustained prosperity, no return to normal conditions, without actual, available bank credit for all legitimate needful purposes—for agriculture, business, and industry of all kinds—from the smallest borrower to the largest—in the hamlet as well as in the big centers."

Banks agreeing to sell 5 per cent. preferred stock to the R. F. C. are not expected to have the Government as permanent partners. They can retire the Government stock out of net earnings at their own convenience, without fuss or formality. The existing national banks have legal authority to issue the preferred stock at once. State banks lacking such legal permission are permitted by the R. F. C. to accomplish the same object by borrowing on 5 per cent. ten-year capital notes. Perhaps this offer to state banks was unduly generous, inasmuch as the Federal government ought to discourage commercial banking under separate state systems.

As an evidence that the country is on the way to recovery, Mr. Jones said that repayments have been made to the R. F. C. to the extent of \$710,000,000, although

no borrower had been asked to make such returns in whole or in part. The railroads are doing more business, and are in less need of financial support than they were last year. Insurance companies also are in better position to protect their policy holders, although the R. F. C. is still ready to cooperate with them. While offering a round billion dollars to the banks at 5 per

cent., Mr. Jones announced that the Government would also, to the extent of \$50,000,000, "match capital dollars with insurance companies by buying or lending on preferred stock." The statements of the Chairman gave us the gratifying assurance that the R. F. C. is going to pay its own way without serious losses.



Mr. Jones, Chairman of the R. F. C., offers added capital to strengthen banks.

Uncle Sam's Credit Remains Unshaken

THERE WERE OTHER items in the financial news of the opening

days of August that were encouraging to the Administration and gratifying to all Americans. The most significant of these items was the brilliant success of a new loan that the Treasury offered the investing public. An impoverished nation might have been willing to support its government, but the people would not have had the means wherewith to invest in new bonds. On the

other hand, a country lacking confidence in the policies of its government might have declined to buy bonds, even when the citizens had money that they could have invested. The offer of the Treasury for its August 15 financing showed at once that private investors had ample resources, and also had full confidence in the credit of the Government.

Our fiscal operations have been on an enormous scale for several years, and large sums have been outstanding in the form of short-term notes. The new issues of early August included \$500,000,000 of eight-year bonds bearing interest at the rate of $3\frac{1}{4}$ per cent. Subscriptions were received totalling more than \$3,000,000,000. This over-subscription was particularly agreeable to the Administration, in view of recent aspersions in certain European quarters upon our inflation or so-called "reflation" policies. Proceeds of the new bonds will take up a similar amount of 4 per cent. certificates maturing in September.

While offering these new bonds, the Government also invited subscriptions for \$350,000,000 worth of two-year Treasury notes bearing only $1\frac{5}{8}$ per cent. interest. The subscribers offered to take more than four times the amount of this issue of notes.

These bonds and notes are payable in such currency as may be in circulation when they mature two years hence and eight years hence. American investors are thus announcing to foreign governments and money markets that they are willing to take their chances with the American dollar, as our Government is trying to bring commodity prices back to normal levels. We have ceased for the present to redeem currency in gold;

and the Government's bonds and notes will be paid off in currency, except as they may be exchanged for new securities. But it is plain enough that American investors do not believe that we are going to enter upon a period of wild and uncontrolled inflation. They assume that they will be repaid two years hence, or eight years hence, in dollars of reasonable and equitable purchasing power.

Certainly the reproachful tone of the European critics of our financial policies has been rather absurd, in view of the general European experience during and since the Great War. At the beginning of August our depreciated paper dollar would buy about nineteen gold francs in Paris. Before the war, in 1914, our gold dollar would buy slightly more than five gold francs. When we were still paying out gold freely before the crisis of last March, our gold dollar would buy about 25 French francs. The dollar will have to depreciate to a minor fraction of its present exchange value to reach the old ratio with francs of about five to one.

Historically, France ceased gold payments on the outbreak of the war in 1914, and the exchange value of the paper franc declined after the war until at one time it was worth only about three American cents. With financial support from the United States, France at length resumed the gold standard with the franc reduced to about one-fifth of its former value. This actually accomplished an arbitrary lightening of the burden of French indebtedness, both public and private. Congress in the recent session gave the President power to reduce the dollar by as much as 50 per cent. of its gold content; but in no influential quarters has it been suggested that we adopt a gold dollar worth only 20 cents in terms of its predecessor, following the example that was set by France.

It would seem desirable to seek world-wide stabilization of money at no remote date. But it is the unwavering opinion of authorities at Washington that commodity price levels must be advanced considerably further before we can feel assured that the time has come for international monetary agreements upon a permanent plan. A temporary harnessing of dollars with British pounds and French francs would have been futile.

House-Cleaning on the Exchanges

IN JUNE AND JULY there had been a brief period of wild speculation on the New York Stock Exchange and in the commodity exchanges at Chicago and elsewhere. Prices had been advanced far too rapidly, in anticipation of normal business conditions that were on their way but had not yet arrived. It was hard for people very close to this speculative excitement to realize that a sharp reaction was not only probable but quite certain, and that it was destined to arrive suddenly and quickly, like a thunderstorm at the end of a hot spell, rather than at some distant time before which speculators could reap their gains and withdraw safely from the market.

The readjustment of prices was undoubtedly salutary, although it was disappointing to many people. While it curbed speculation it did not seriously affect the general improvement in business, as aided by the Administration's tremendous program for recovery under the leadership of President Roosevelt and the actual management of General Hugh S. Johnson. On August 2 the New York Stock Exchange of its own accord adopted a series of rules and requirements to curb excessive

speculation that are far more thorough-going than any previous efforts of that kind. Undoubtedly the exchanges were facing the certainty of drastic public regulation and control. In anticipation of the Government's intervention, they thought it wise to go as far as possible in curbing practices that are harmful to the course of orderly and legitimate business.

For many years Wall Street had indignantly resented all suggestions of Government regulation. The Stock Market had assumed the air of injured innocence when subjected to criticism and investigation. Learned economists wrote books to prove the value and the necessity of speculation in securities and in commodities. But the abstract theory of free exchanges, and of unrestricted opportunity to buy and sell, is not in point of fact what concerns the public. It is on the strength of information about speculation as it has been actually carried on that the demand for Government control has become too strong to be met by arguments about the freedom of markets. Wall Street had become the tolerant center of dangerous conspiracies against the economic welfare of the country. The banks had gone into the business of creating securities and unloading them upon innocent investors. They furnished the money for the concerted stock-market operations that developed and sustained the so-called "bull" markets. Their funds facilitated the distribution of unsound bonds, and of millions of shares of stock in over-capitalized holding companies.

This diversion of liquid capital to stock-market speculation, to the extent of billions of dollars, was wholly contrary to sound banking methods. The public at large had become infected, and the fever of speculation had assumed an epidemic character. There were, of course, praiseworthy elements of optimism and of business energy that contributed their legitimate share to the



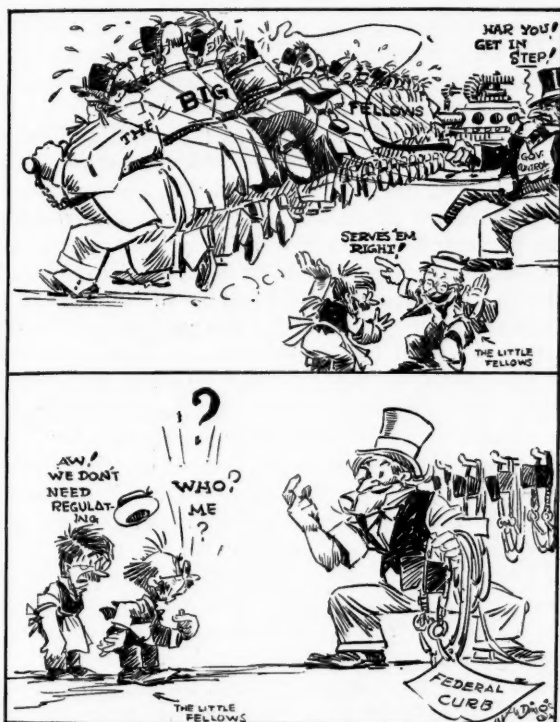
By Darling, in the New York Herald Tribune ©

BUSINESS, AN ALMOST UNWILLING GROOM
But you see he only met her a few days ago

REVIEW OF REVIEWS and WORLD'S WORK

boom activities of the years after the war and before the collapse of 1929. All the facts can be examined objectively, for the sake of finding remedies for bad practices; and it is not necessary to hunt out any particular individuals or agencies for special retribution.

Thus there is no use to be vituperative about the stock market, or to lose confidence in the banks. The stock market will remain, and the banks will survive. It is enough to say that certain practices must be exposed in order to be eradicated. A large part of the activity of the more important exchanges has been traceable to the conduct of secret "pools." These are nothing else but conspiracies against the general welfare. They are no better than old-time attacks of hostile Indians upon frontier settlements, or the later



By Darling in the Des Moines Register

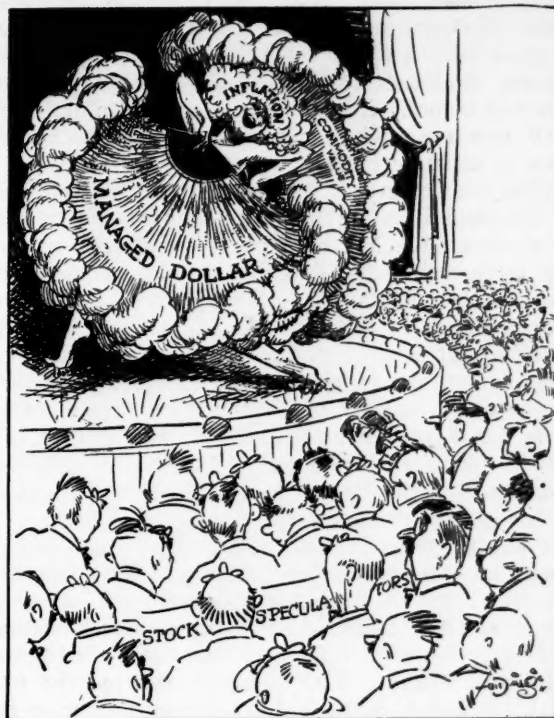
GREAT STUFF—FOR THE OTHER FELLOW

adventures of train robbers. Stock market "bear raids", far from being respectable and defensible, had better be regarded as a highly significant detail in the more sinister aspects of contemporary American life, just as the kidnapping tendency represents business speculation carried to the worst extreme of criminality.

Changing Aspects of World Trade

ALL COUNTRIES are trying to learn how to reconcile individual freedom with the practice of social and economic coöperation under governmental auspices. We in the United States are somewhat tardily following the rest of the world in our present efforts to organize and to harmonize our economic life on some intelligent plan.

The sweep of international competition has been so deadly in its effects that the doctrine of free trade is rejected everywhere as superficial, and wholly inapplicable to any conditions now existent in civilized countries. It has no practical exponents, and there are



By Darling in the New York Herald Tribune ©

COULDN'T BE ARRESTED FOR WHAT WE'VE SEEN SO FAR

very few theorists left to support the beautiful syllogisms that were current in the name of international progress a few decades ago. Neither the agriculture nor the industry of any well-developed country could endure the fierce onslaught of foreign competition if there were no tariff walls, or other forms of defense for domestic production and marketing. It does not follow that foreign trade is undesirable or is to have no future; but there is such a thing as foreign trade volumes that are swollen by the sheer capacity of foreign exporters to overwhelm the domestic business of a country that prefers, like France or the United States, to supply its markets with the regular products of its own farms and shops.

There is danger, however, that protective tariffs and other restrictions upon trade may be carried far beyond the reasonable limits of defense against ruinous competition. Familiarity with facts and conditions is prerequisite in the shaping of foreign trade policies. The recent session of the Economic Conference at London will have been justified by the manner in which it threw light upon the changing aspects of production and marketing in many fields. Agricultural countries are convinced that they can increase home consumption by building up various local industries, and thus escape from too great dependence upon distant markets. Industrial countries, on the other hand, with many people unemployed in manufacturing centers, are learning that they can and must revert to a more intensive cultivation of their home soils, and must cease to import so much food and raw material. But while all nations are making readjustments, there can be trade agreements that will be helpful during the transition.

It was altogether too much to expect that a Conference attended by representatives of more than sixty nations could settle out of hand a series of economic and financial problems the complexity of which had

baffled statesmen and negotiators for many years. But the mere holding of the conference was in itself a step of great significance. Nothing like it had ever been witnessed before. It set on foot attempts to deal with many concrete topics or problems, with reasonable hopes of ultimate success.

When the Conference was about to assemble on June 12, President Roosevelt made an impressive appeal to the nations. We had been off the gold standard for only three months, and we had not accustomed ourselves to the thought that we might not be resuming gold payments in the near future. It was generally assumed that leading nations could reach an agreement by virtue of which Great Britain and the United States would become "gold countries" again. Certainly Mr. Roosevelt must have held this opinion. He stated it definitely in his address to the nations. He was, however, echoing American views from which there was no general dissent when he made his appeal.

It was proposed at the Conference to stabilize currencies at once, on a plan that would have held the dollar to a definite exchange ratio with the money of France and the other gold countries, without waiting for resumption of gold payments by the United States and Great Britain. Mr. Roosevelt rejected the proposal, because it would not have helped to raise the level of commodity prices, and would not have afforded a genuine solution of the larger problem of money for all the world. Undoubtedly his second thought was better than his first. He was criticized in Europe, but he stood his ground because he was right in holding that we must stabilize the dollar at our own convenience, and not at the dictation of European economists.

Treaties Instead of Tariffs

and respected by the representatives of other countries. His attitude was generous and conciliatory, without being hesitant or weak as regards the necessities of our own position. He has lost nothing of his belief in the urgent need of international coöperation, not only for the maintenance of peace but also for the advancement of civilization in many ways. He realizes that all nations are striving to live upon their own resources, and to balance their production of food products with their industrial output in so far as may be possible. No country will become wholly self-sufficient; and if nations are prosperous at home they will have the more means with which to exchange some of their products for those of other countries. The present tendency is to deal with such conditions on the plan of special or so-called "bilateral" treaties. Mr. Hull is entering upon negotiations with several of our South American neighbors, with hopeful prospects.

The British government is working with great energy and with some success upon trade policies that fall into three categories: first, it has thrown its nineteenth century free-trade principles and policies to the wind, and is building up home industries and home markets. It is subsidizing the production of wheat by English farmers, and it is giving still greater encouragement to the home production of dairy products, and especially of bacon and pork products, as against Denmark, Ireland and other nearby countries that had been catering

THE POSITION of Secretary Hull as head of the State Department was in every way strengthened by his recent experience at the London Conference. He was admired

especially to the British market. Also it is discovering that English lands once used (as in Kent) for hops and other field crops can be profitably used for the growth of apples, pears and a great variety of small fruits. Major Elliot as Minister of Agriculture has programs as interesting as those of Secretary Wallace.

Furthermore, England is not hesitating to subsidize industries of one kind or another that show promise. Perhaps the most conspicuous recent example is the Government's guarantee to maintain a high tariff on imported gasoline for a period of years, in order to justify large private investments in the production of gasoline from low grades of coal by processes that have proved successful in small-scale experiments.

The second British trade policy is that which comprises the so-called Empire. The Ottawa agreements are taken seriously in England, and are regarded as the mere beginnings of a system of preferences throughout all the numerous dominions, dependencies and protectorates that are set down in the list of countries that make up the British Empire.

Canada's political security and economic development have been chiefly due to the favorable proximity of the United States. Wiser policies on the part of our Government at certain moments in the past might have prevented the trade discrimination that Canada now practises against us and in favor of Great Britain. But the Canadian people continue to live in North America; and it should be the business of our Government to see what inducements it can offer to increase the movement of trade across political boundaries. Present British policies are stimulating trade between the mother country and New Zealand, Australia, and other imperial districts served by the British merchant marine, and protected by the British navy.

Some of the Imperial enthusiasts believe so intensely in the plan of high tariffs against the rest of the world, and free exchanges within the Empire, that they would if needs be sacrifice British trade with foreign countries. But it is not the British habit to proceed consistently upon a theory of that kind. The present British government is not willing, for instance, to cut off profitable trade with Argentina in order to give larger quotas of trade in food supplies to members of the British commonwealth of nations. Behind the struggle over home rule for India there is always the dominating consideration of British markets.

American commerce hitherto has not been supported by consistent government policies. President Roosevelt has opportunities to act freely that have been conferred upon no other President in our history. It is true that Congress did not put in his hands the full power to change tariff rates and enter upon special agreements; but if Secretary Hull should move rapidly in the direction of a series of reciprocity negotiations he would be fully sustained by public opinion and by Congress in its regular session that opens next January.

President Machado had been struggling vainly to restore political and economic order in Cuba under his leadership as emergency dictator. The American Minister, Mr. Sumner Welles, with the approval of President Roosevelt, was trying to bring the opposing political factors to some kind of agreement. His own supporters finally agreed that Machado must withdraw. We are largely responsible for the economic plight of Cuba, and our Government will seek ways to help the new President, Dr. Carlos de Cespedes.



SECRETARY OF THE INTERIOR Harold Ickes, the Public Works Administrator, at his desk in Washington approving and rejecting the thousands of projects proposed to stimulate recovery.

America's Biggest Spender

By RAYMOND CLAPPER

HAD SOME miserly Methuselah begun accumulating dollars at the rate of three a minute about the time Christ was born, he would just now have enough on hand to finance the \$3,300,000,000 public works program upon which the United States has embarked to provide quick employment.

Only by resorting to some such trick of figures is it possible to picture in the mind the stupendous sum which is being thrown into the battle for recovery. In almost every state millions of dollars will be spent within the next few months on roads, bridges, power dams, public buildings, and even on chicken coops for the Department of Agriculture. It is a premeditated effort on a daring scale to make work for the unemployed, to prime the economic machine artificially while business gets up momentum of its own.

This undoubtedly is the most monumental of all of the paradoxes of the New Deal economics. First, the farmer was asked to plow under part of his fields to make more money. Then business was asked to hire more men and pay more money for less work in order to restore itself. Now on a scale never before seriously considered the Administration launches forth to spend its way back to prosperity. The very idea dumfounded many in the Hoover administration. It seemingly runs counter to the pressure for government economy. With one hand the Administration is laboring to hew down the inflated payrolls of the Government and to lighten the tax burden. With the other it scatters millions of dollars broadcast across the land.

But the confident men in command at Washington merely smile patiently at such apparent inconsistencies. They are looking for results. In their minds the most urgent need is to get men back to work so that they

can buy clothing, replace worn out furniture, trade in the old car, and in short become normal users of goods once more.

As business gathers volume and more men are gradually reemployed this natural reservoir of mass purchasing power will fill up again. But the Administration does not want to wait for that to happen. It might come too late. Rather it believes that a vast expenditure on worthwhile public work throughout the country will speed up the process, give the business machine a push off of dead center. Every mile of highway built gives 30,000 man-hours of work, part on the actual job and part back in the factories where the materials are prepared. Government engineers estimate that in building 1000 miles of cement road including bridges, 4,000,000 tons of freight are moved. Great as the immediate cost in government money may be, the Administration believes that it will all come back to the American people in one form or another. It was with this faith that President Roosevelt started upon the greatest peace-time spending spree in the history of the federal Government.

Though simple in conception, the plan is infinitely complicated in execution. Not every man could be trusted to take \$3,300,000,000 of government money, and go out and spend it honestly and wisely. President Roosevelt looked around for the man to do this job. That man must be in sympathy with the policy and understand that the money must be distributed quickly. He must be as deaf as anyone in Washington could be to politicians on the scent of pork. He must know the difference between a project which has definite and lasting social and economic value and one which merely is the result of local greed.

Of all the men on President Roosevelt's horizon, that political Cinderella, Harold L. Ickes, who had just been lifted from the obscurity of a life-long fighter for defeated causes to be Secretary of the Interior, seemed to meet those specifications more closely than anyone else. He was still almost unknown except to those Chicago grafters who had felt his unavailing lash. Overnight, with a flourish of the presidential wand, he became America's biggest spender.

Mr. Ickes has been a life-long rebel. Some rebels have received their pay in the form of glory. By their very defeats they have won a place of fame which might not have come to them had they gone along as conformists. The elder LaFollette's greatest triumphs lay in the hours of defeat when he went down fighting single-handed. Senator Borah has become an international figure as a result of a career of dissent. Somehow this personal compensation which has helped spur most reformers up their lonely path had never come to Mr. Ickes. For nearly forty years he fought inconspicuously as a back-stage worker in the struggle against greed and corruption. In Chicago time after time he backed reform candidates. Years ago he challenged Yerkes, whose traction interests were like the Insull empire of a later day. He was still a student then at the University of Chicago. As a Chicago newspaper reporter he had an opportunity to learn close-up of the way liquor, vice, big business, and selfish politicians milked the government of Chicago. He managed reform candidates for mayor time and again. They were always mowed down, but Ickes never quit.

THEN CAME Theodore Roosevelt's Progressive party, which gave him new hope. But it soon died and Mr. Ickes sorrowfully saw his new found progressive associates slipping back into the old parties. He and his law partner, Donald Richberg, now the brilliant legal light of General Hugh S. Johnson in the National Recovery Administration, went back to their battle against Chicago utility interests.

Samuel Insull's star was reaching its ascendancy. He was Chicago's first citizen. He supported the opera. He spent \$125,000 to elect to the United States Senate the chairman of the state Commerce Commission. Leading business men and politicians enjoying his favor protected him as his empire expanded. Insull was the hero, the benefactor, the great good citizen of Chicago. Whoever challenged him was given scant kudos, put down as a sour soul, and toward him the best eyebrows in Chicago were lifted in haughty disdain. It didn't bother Mr. Ickes much. No wealthy clients came to his law office. But he didn't need the money. He found contentment in his conscience and in his dahlias at Winnetka, and at night he thumbed his collection of postage stamps. Then there was the companionship with his wife, herself a crusader, and even now still a Republican member of the Illinois legislature. Thus fortified, Mr. Ickes kept on with his battle unbroken by the frowns of the "better people" of the great city of Chicago.

In national politics Mr. Ickes was as much of a lost soul as he was in Chicago affairs. As a Republican delegate to the Chicago convention in 1920, he shouted "no" against the nomination of Warren Harding. He left the Coliseum again a rebel and supported Cox and Roosevelt. In 1924 he managed the Illinois campaign to nominate Senator Hiram W. Johnson against Calvin

Coolidge. In 1928 he voted for Smith. When Franklin D. Roosevelt was nominated last year, Mr. Ickes felt that at last the forces for which he had fought so unsuccessfully were coming into their own.

There is no indication he expected much for himself out of it. After the election, he did intimate to friends that he would like to be Indian Commissioner. He was a little weary of Chicago. Insull had fled to Greece. By this time Mr. Ickes and his wife had spent many vacations among the Indians in the Southwest and the peace of that country appealed to him. He thought he would like to be of some service to these mishandled wards of the Government. Suddenly, with no warning even to his close friends, Mr. Roosevelt made him Secretary of the Interior. Apparently Mr. Roosevelt had in mind that the Interior Department had been a festering spot of past Presidents, had caused the downfall of Taft and produced the worst scandal of the Harding administration, and wanted above all to protect himself by putting a faithful watchdog there.

So Mr. Ickes went to Washington. Democratic politicians were not particularly enthusiastic over this former Republican. Stocky, square-jawed, with a grim sardonic humor and a suspicion of politicians generally, Mr. Ickes was not exactly the kind of man they wanted to see in the Interior Department. When they went there they were given scant attention. The new Secretary seemed to have no appreciation of their political problems. But the fact that he was a good "No" man impressed Mr. Roosevelt.

Then came the battle with Budget Director Douglas, who had been inoculated with a large dose of the economy serum. When business began to show its first spurt, Mr. Douglas felt that it was safe to curtail the great public works program. Secretary Ickes, then merely a member of the Cabinet, argued otherwise. He won. Mr. Roosevelt placed him in charge of the program and began calling him Harold.

His first statement after being made Federal Administrator of Public Works was public notice of the basis on which he intended to operate.

"The determining factor in awarding allotments must be merit and not push," he said. "Today the public works administration is deluged by a vast number of demands which do not qualify under the intent of the act or the policy of the Administration. The nation is assured its funds will not be dissipated on a first come first served basis. The criterion for allotments will be worth and public benefit."

He followed this up with a warning to the lobbyists, contact men, political wire-pullers and others who were crowding around what they mistook to be the country's biggest pork barrel.

"Since enactment of the public works law there has sprung up in Washington a rapidly increasing corps of self-styled 'experts', 'agents', and 'advisers' who are attempting to get money from contractors in exchange for alleged inside information and influence," he said. "Some persons are even proclaiming they can 'deliver' profitable contracts in return for advance payments. They can do no such thing. I advise contractors to give the Government the benefit of low bids, made possible by not wasting their money on such specialists who claim to have an 'inside track'. Contracts will be awarded to those able to do the best job for the least money in an honest way."

Thus calling upon the politicians to stand back and give him elbow room, Mr. Ickes settled down to the unprecedented task of spending \$3,300,000,000 as rapidly as possible.

Plays, movies and stories have been written about the person who unexpectedly comes into a million dollars and doesn't know what to do about it.

In the first six weeks Mr. Ickes had arranged for expenditure of just \$1,000,000,000, nearly a third of his total fund. Included in these allotments were the following: roads, \$400,000,000; naval construction, \$238,000,000; roads and trails in national forests and on Indian reservations, \$50,000,000; Civilian Conservation Corps, \$20,000,000; Grand Coulee Dam in Washington state, \$63,000,000; Casper-Alcova dam in Wyoming, \$22,700,000; nine-foot channel in Upper Mississippi River, \$11,500,000; financing of subsistence homesteads, \$25,000,000; forest service, \$16,000,000.

Those are rough divisions, either specified by Congress or selected by Mr. Ickes. What is going on may be pictured better by the road work program. The purpose behind the entire program is quick reemployment. In many states road plans had been prepared and awaited only money. Road building utilizes a large proportion of labor. Government engineers estimate that directly and indirectly, eighty-five cents of every dollar spent on roads goes into labor. Therefore road-building offered a quick opportunity for maximum employment. Some 25,000 miles are to be built. Within a month after Mr. Ickes took charge he had approved 186 highway projects, as a start on the program. These meant actual work in 106 counties of twelve states. They were distributed as follows: Delaware, 9; Idaho, 1; Iowa, 7; Louisiana, 1; Nebraska, 46; New York, 29; Ohio, 20; Texas, 3; Utah, 21; Vermont, 5; Washington, 11; Wyoming, 33. This group was expected to put 17,000 men to work. By the end of September, it was estimated, 100,000 men would be given employment under the road program. This means not only the men with picks and shovels on the job, but it means men laboring in the steel mills, rock crushers, bag factories, cement works; it means freight to be hauled, power to be used. In dozens of indirect ways the effect of this mammoth public works program should reach out into ever widening activities.

OBVIOUSLY one man in Washington cannot decide whether a certain bridge is needed, or whether the Department of Agriculture needs a new garage at a field station in Georgia. Mr. Ickes has set up an elaborate system of advisory boards directly responsible to him. He must depend upon others for advice, but he intends to retain control at Washington. This point was settled in a clash with Governor Ely of Massachusetts. His silver tongue was responsible for the most impressive speech in the Democratic National Convention last year but it had no effect on Mr. Ickes. Massachusetts wanted to take control of the federal expenditures in that state and determine where they should go. Mr. Ickes curtly refused. He declared that it was federal money and the federal Government was going to say how it should be spent. Governor Ely gnashed his teeth and cried out that the fair state of Massachusetts had been insulted, but it did not shake the granite jaw at Washington.

In setting up his advisory boards, Mr. Ickes told them to be hard-boiled and forget local prejudices.

"It will be as much a duty for these state Advisory Boards to say 'no' as it will be to say 'yes,'" he said. "Although appointed to represent states they are really agents of the federal Government. They are to view the public works program in its broadest national aspects."

By appealing to public-spirited men to serve, Mr. Ickes believes he can keep the administrative cost of his program down to a fraction of one per cent of the total expenditure.

As an additional protection, Mr. Ickes, who has reason to doubt sometimes the disinterestedness of persons seeking government contracts, has set up a bureau of investigation in the Interior Department under the direction of Louis R. Glavis. Glavis made the charges in the Ballinger Alaskan coal lands controversy in the Taft administration and was fired for his pains. The new Secretary has taken great glee in bringing this talented investigator back into public life. He restored his civil service status and put him to work at the head of a special squad to keep sharp eyes out for graft. One of the first discoveries under Glavis was in a contract for work on Boulder Dam. A company called in to advise the Government regarding specifications had misled officials, it was said, into fixing requirements so that no other concern could qualify as a bidder.

ALso just outside his own office, Mr. Ickes has placed as his special assistant the energetic, keen-eyed Harry Slattery, a lawyer who for years has trailed corruption backstage in Washington. Protégé of Gifford Pinchot, he gathered some of the first information which caused the elder Senator LaFollette to demand an investigation of Teapot Dome. He has furnished Senator George Norris with much material in his various power fights. Though little known even in Washington, those on the inside are aware that in Slattery the Interior Department has a man who is a walking encyclopedia of who pulls what wires at the nation's capital. He is in a position to save Mr. Ickes from many a stumble in dealing with the horde seeking public contracts.

Throughout the Interior Department, Secretary Ickes, the old war-horse of reform, reinfused with the spirit of his early days by the sympathetic support of the White House, is converting one of the dead spots of Washington bureaucracy into the most active spot of the new Administration. For all of his grimness, he is at his office with his coat off working from eight a. m. until after midnight, with a cheerfulness not so obvious in his more embittered days.

Not much of a sailor, he was summoned with other cabinet members to meet President Roosevelt aboard the cruiser *Indianapolis* near Annapolis some weeks ago. Waiting at the dock to get into the launch which was to take him out to the cruiser, Secretary Ickes began to have doubts as he watched the rough sea.

"I'm willing to die for my President, but I'll be damned if I'll get seasick for him," he said. But he forgot his qualms on the way out as a naval officer explained the order of precedence in which the cabinet officers were to go aboard the President's ship. Secretary Ickes, first in importance now, ranks far down in the official order of precedence.

"Tell me, Admiral," he said as the launch gave another roll, "in case we all go overboard are we rescued in the same order?"



Posters, courtesy of Amkniga Corp.

THE PRESS has been preparing public opinion for a dramatic change in the foreign policy of the United States. For sixteen years, this country has declined to recognize Russia. That recognition is now discussed as an imminent probability.

Between the two greatest of economic commonwealths, potentially considered, there has developed a cumulative rapprochement. Among the sovereign states to which President Roosevelt made his public appeal for peace last May, Russia was included. At the World Economic Conference in London, Maxim Litvinov, the rotund, active, and adroit Commissar for Foreign Affairs, with his English wife and offers of billion-dollar trade, has busily conversed with the United States delegation. Conspicuous within that delegation is the Assistant Secretary of State, William C. Bullitt, who has been an advocate of recognition from the days

of President Wilson onwards. The Reconstruction Finance Corporation, an official enterprise within the United States, has facilitated the export of cotton consigned to the Soviet Republic with a \$4,000,000 loan; and in apparent preparation for renewed occupancy, the dust and debris are cleared from the long deserted Russian Embassy in Washington where the interior decorators have been at work.

The question that suggests itself to many people, especially abroad, is why the United States has not recognized Russia long ago. After all the recognition of one country by another is a matter of routine. There are about sixty sov-

eignties in the world, and envoys plenipotentiary—ambassadors and ministers—are accredited by the thousand. They grant passports and visas and transact other diplomatic business by a smooth working machinery over which no discussion is supposed to arise. Handing an ambassador his passports with the request that he return home, has been among the accepted preliminaries to a declaration of war.

Recognition has never implied an approval of the constitution, the policy, and the culture of the nation with which there is contact. What country could have been less American than the Russia of the Czars? It was autocratic, military, imperialist, hereditary, illiterate, intolerant. But it was recognized.

A test case has been Turkey. Here is a country that was hostile to the cause for which the United States entered the war. It is responsible for the indiscriminate

THE MIGHTY INDUSTRIALIZATION of the Soviet Republics may well be said to be but the lengthened shadow of Lenin. This poster, portraying the founder of the Communist nation, was widely circulated throughout Russia. The quotation, appearing under the headline, says in effect: "Only when our land is electrified and we have established a technical foundation of modern heavy industry under our manufacturing, agriculture, and transport, shall we be finally victorious." This ties in the teachings of Lenin with the first and second five-year-plans of the present government.

Recognition for Russia?

By P. W. WILSON

"GREETINGS to the slaves of capital and the victims of Fascism on the 15th Anniversary of the Dictatorship of the Proletariat." This poster, portraying the Russian worker, with bright red banners, marching to a world October, or world revolution, has also been used outside Russia. It was issued by "Mopr," an international revolutionary society. The swastika on the cuff of capitalism indicates the Communistic viewpoint which considers Fascism and capitalism as one and the same enemy.

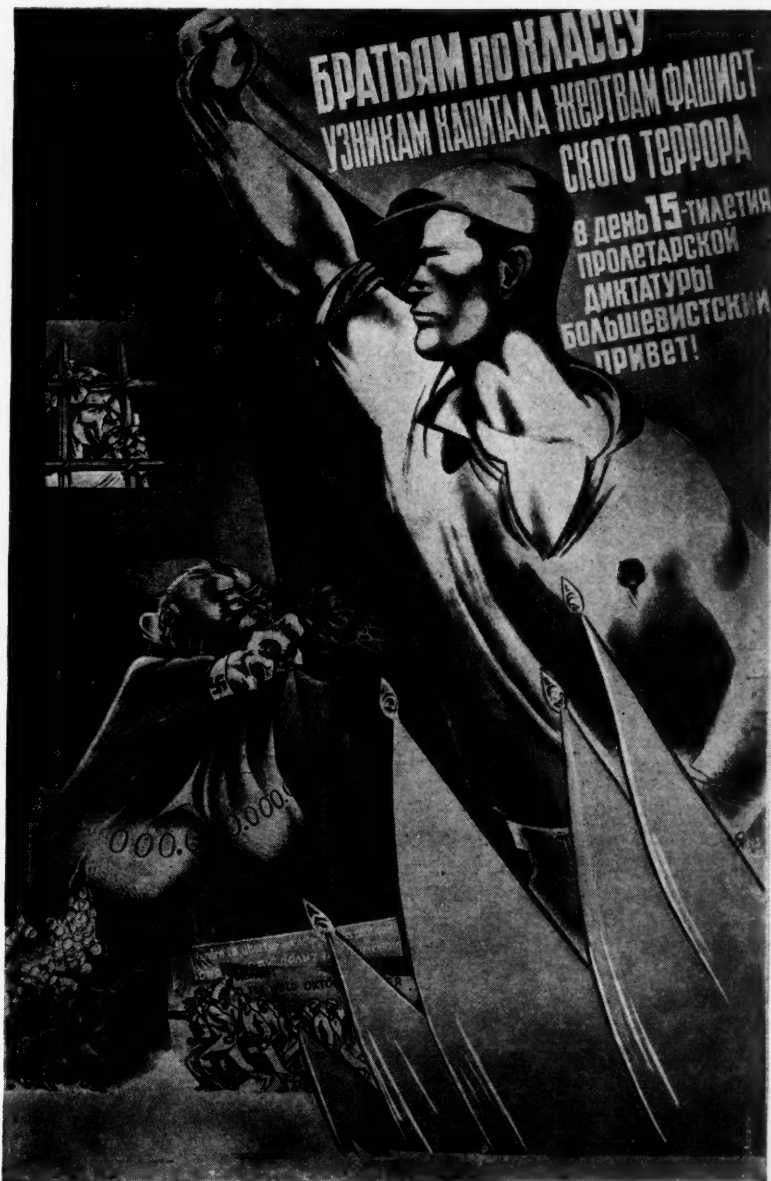
DIPLOMATIC recognition of Red Russia is sought as a preliminary to increased trade. Mr. Wilson's article is followed by two others—one presenting the case for, and the other against, trade that demands huge American credits.

slaughter of Armenians to a number which Lord Bryce estimated to be a million. It has enforced a cruel deportation of a vast population of law-abiding Greeks, also belonging to the Christian faith. It has imprisoned American women whose only offence was an inadvertent lapse into Sunday School teaching. Yet, peace or war, there has been no breach in the diplomatic relations between Turkey and the United States.

The revolution in Russia is not the first that has shaken the elder Christendom. History is repeating a singularly instructive precedent. In the France of the eighteenth century as in the Russia of the twentieth, an apparently immovable absolutism had become inadequate. In both cases, its collapse was hastened by the shocks of war. In both cases, a monarch, blameless in himself, was done to death. In both cases, the reigning family, the aristocracy, many of the clergy and the professional classes were reduced to penury, driven into a pitiful exile, or obliterated by massacre. In both cases, religion was assailed by a ferocious atheism. In both cases, the revolutionaries called upon the oppressed peoples everywhere to rise up and overthrow their rulers. In both cases, the rest of Europe

tried, and tried in vain, to suppress the upheaval. In both cases, the only result of armed intervention was a Reign of Terror.

The problem of Russia which has confronted President Wilson and his successors, is essentially the problem of France that confronted George Washington. Then, as now, emotions were in conflict. To Thomas Jefferson, anticipating Carlyle, France, despite her excesses, was eternally right, and Jeffersonians addressed one another as "citizen". John Quincy Adams, on the other hand, denounced the "thirty millions of atheists, poisoned by philosophy" and Alexander Hamilton talked of the "great beast".



Amid these cross currents George Washington, at the wheel of state, steered a clear course. He declined to support France against England. His policy was neutrality. But never was it so much as suggested that diplomatic intercourse with France should be suspended. In the France denounced as a "horror" surpassing Nero and Caligula—in the France which Charlotte Corday with her dagger rid of the unspeakable Marat—in the France of Robespierre filling the tumbrils with victims for the guillotine—of Barrère perorating that "Lyons warred against liberty; Lyons exists no more", and enforcing his rhetoric with volleys of grape-shot that spared neither age nor sex—of those noyades where helpless victims, men, women and children, were herded into flat-bottomed boats and sunk wholesale into deep waters—in that France, the United States was continuously represented by a minister, Gouverneur Morris, and we have President Washington informing Congress on February 28, 1795, that "perfect harmony reigns between the two republics".

RECOGNITION of democracies, born of rebellion, was the settled policy of the United States. She recognized and called upon Europe to recognize Latin-American republics. The Monroe Doctrine was promulgated as the sure shield of those republics, thus acknowledged. The liberties of Cuba were recognized. Ireland's autonomy has been loudly demanded.

Against recognition, it has been contended that the Soviet Union fails to acknowledge its financial obligations. The complaint in these days raises a smile. If recognition is to be denied to all countries that default on debts, there will be little diplomacy left. To this day certain states of the Union owe a large sum to Great Britain and there is no suggestion of repaying it. What about France, Peru, China, Turkey, and all the other defaulters? What about a merely token payment on the war debt by the British Treasury on June 15? What about the breakdown of German reparations? The Russian contention has been, broadly, that she has a counter-claim. When other nations, including the United States, blockaded Soviet Russia and gambled on the Kolchaks and the Semenoffs, they made themselves liable for damages every whit as good in international law as the Alabama claims of the United States, acknowledged by Gladstone as Prime Minister.

The persistent disinclination of the United States to recognize Russia cannot be explained, therefore, by diplomatic technicalities. We enter a field of affairs in which reason, however convincing, has to wrestle with sentiment, the most human.

To the peoples of the world, the Russian revolution thundered like a huge volcano in violent eruption on the horizon. Not for a moment did President Wilson hesitate in his decision. As Washington had recognized the new France, so did Mr. Wilson recognize the new Russia. It was with full diplomatic honors that, in the name of a reformed and constitutional Czardom, Boris Bakhmeteff was received as Ambassador to the United States, and in due course, the status of Bakhmeteff was confirmed by Mr. Hughes, Republican Secretary of State under President Harding. A former Secretary of State of unimpeachable Republican standing, Elihu Root, proceeded to St. Petersburg as Ambassador Extraordinary at the head of a special mission from this country.

The policy of the United States toward a Russia in

revolution was thus, at the outset, as sympathetic as it is, at this moment, toward a revolutionary China. Indeed, there was a touch of camaraderie. As the gallant French after 1776 had fought side by side with the colonists in the common cause of liberty, so had the Russians fought in the World War. It was in this conflict that a great people had been stricken helpless, and of this momentary paralysis, let none take advantage. Subject to the just claims of Poland and Finland, the territorial heritage of Russia must be respected.

If that situation had continued, no question of a refusal to recognize a friendly Russia would ever have arisen. Russia would have shared the victory of the Allies and taken her place among the great powers at Paris. If perplexities arose, it was because, suddenly, the situation was transformed.

The Moscow of 1917 resembled the Paris of 1792. In both cities, there were two groups. The Mensheviks and Social Revolutionaries of Russia, like the Girondists, desired comparative moderation. But in the background, there lurked the Bolsheviks who, like the Jacobins, were prepared to go to any length.

The moderates held the reins of power. But their Danton—an orator called Kerensky—was more eloquent than effective, and in a day, he was driven forth into outer darkness. The Duma or parliament, elected by the people, was obliterated, and a Communist oligarchy was substituted for it. With the soldiers returning from the front to their farms, Russia ceased to be a factor in the war, and a triumphant Germany imposed on her the crushing terms of the Treaty of Brest-Litovsk.

There had now to be faced what is, fundamentally, the question at issue today. It was not whether Russia, as Russia, should be recognized. There was recognition of the provisional government and for years it continued. Kerensky vanished in 1917 and the Czar was slain the year following. But at Washington, Bakhmeteff, as Ambassador, was still received as "His Excellency". He dealt with large credits of money held by the Embassy; he discharged certain financial obligations to citizens of the United States. It was some time later that he retired voluntarily from the scene and so relieved the State Department of what had become an unreality.

The question became in what *form* the recognition of Russia was to continue. Was the seizure of power by the Bolsheviks to be ratified by the ordinary processes of diplomatic intercourse?

OUT OF THE MORASS of international conspiracies, there emerged two zealots, hitherto as unknown to the world at large as Hitler and Mussolini themselves. Lenin had been a pamphleteer for the suppressed proletariat. In New York, Braunstein or Trotsky, as he came to be called, had eked out a living as a free lance in minor journalism. These were the two upstarts who suddenly strode across the stage, and no one was more astonished than they were themselves over the scepter of authority which fate thrust into their hands.

Their projection into Russia has had numerous interpretations. Some hold that they were sent thither from Berlin as the agents of the Kaiser and his war lords, to persuade the Russians to lay down their arms and return to their homes. The administration at Washington published an elaborate series of documents, purporting to prove that the Bolsheviks were

EDUCATION for the working class. This poster pictures workers studying, improving their lot, earning promotion. It dignifies adult attendance at night school. Freely translated it states that spreading education among the working class is the only way to produce a Soviet corps of technical specialists. The first floor shows men and women workers learning arithmetic. The second floor shows them receiving engineering training. The top floor shows the development of potential scientists in a chemical laboratory.

in the pay of the German General Staff and under German orders. In any event, Russia was paralyzed and submitted to the treaty of Brest-Litovsk.

President Wilson had the courage and, some will add, the wisdom, to persist in the desire to keep in sympathetic touch with the Russian people, even under the shadow of Bolshevism. To Lenin, Premier of the Council of People's Commissars in Moscow, he sent a friendly message. Also, he despatched a mission to Moscow, headed by William C. Bullitt and including Lincoln Steffens and Walter Weyl.

But a new issue was arising. Not alone did Russia abandon the war. She declared a new war of her own. It was a class war. It was to be waged not by nations but within nations. Everywhere, Communism was to be brought into conflict with Capitalism. Everywhere, the social system, as we know it, was to be destroyed. They planned deliberately to rouse class consciousness to fever pitch.

About this time a business man from the United States, Washington B. Vanderlip, called on Lenin. "Tell me", asked the dictator, "when are you going to have a revolution over there?" World revolution was the obsession. Lenin's reply to President Wilson might have been the edict of a Napoleon or a Genghiz Khan. "Break the power of the capitalists in America", so runs the paraphrased translation presented by Professor W. E. Dodd, "put a score of your financial grandees in prison and we shall be willing to treat with you as an ally." It was not within the power of President Wilson, had it been his wish, to pass under that yoke and accept that servitude. Such incidents as these left their impress on public opinion.

In the very title, Union of Soviet Socialist Republics, there is an offence. It sounds as would the United Capitalist States of America in communist ears. It expresses not sovereignty alone, as such, but the sovereignty of an economic system. It suggests that any nation, adopting this system, may be absorbed into the sovereignty. Russia may forswear indemnities and



annexations as often as she pleases, but, in the name of Karl Marx, she is asserting an imperialism as aggressive as the conquests of a Mohammed.

Lenin's was no idle threat. The atmosphere of the world was inflammable. There was a danger everywhere of conflagration, and everywhere the sparks of insurrectionary Bolshevism were scattered abroad. In Hungary, Bela Kun set up a Commune. In China and India, there were fierce outbursts against western exploitation. Italy was reduced to an anarchy from which Fascism alone was able to rescue her. In Britain, the class war culminated in a general strike of clearly revolutionary significance. Nor did North America escape. There was, doubtless, a good deal of rubbish talked on both sides. But it was not entirely without reason that "Big Bill" Haywood, organizer of the I. W. W., was sentenced to twenty years imprisonment for sedition, which he avoided by fleeing to Moscow. Nor were the strikes at Seattle and Winnipeg entirely a figment of the imagination.

Referring to the czarism, old "Joe" Chamberlain in his genial way once remarked, "who sups with the devil must use a long spoon". So has it been with the Soviet

Republic. During the Secretaryship of Mr. Hughes, the United States received a Zinovieff Letter. It was a document calling upon Communists in the United States, including soldiers and seamen in the navy, to overthrow the Constitution. The custom at Moscow has been to repudiate any awkward communication of this kind as a forgery, perpetrated by counter-revolutionaries. The alleged forgery is never proved. In the above case, a similar letter appeared at a subsequent date in Great Britain. Once more, it was declared to be "spurious". But it cost Prime Minister MacDonald and the Labor Party a million or two votes. It was a factor in wrecking a British administration.

GREAT BRITAIN has recognized Russia; she has withdrawn that recognition and she has renewed it. Today, Moscow is among the most awkward of political issues. Not a week passes in the House of Commons without some indication that opinion over Russia is acutely divided. On the one hand, there are Conservatives who mistrust the Soviet and dislike its methods. On the other hand, fair play to Russia is an eleventh commandment in the decalogue of the Labor Party. In the face of John Bull, the red flag is still there waving provocation. The return of the British engineers, after their apparently preposterous imprisonment in Moscow for sabotage and the political travesty of a trial, was an occasion for demonstrations that usually are reserved for successful aviators.

Stalin may have disclaimed international propaganda. Diplomatic correctitudes may be cultivated. But Washington is Washington. Congress is Congress. Elections are elections. Fire is fire. The recognition of Russia, accompanied by commercial intimacies, will add not a little to the liveliness in the lobbies of the Capitol. We may assume that, when the political pendulum begins to swing again, all will not be quiet on the western front.

The question to be considered, then, is not whether the recognition of Russia is or is not pleasant to the feelings. It is whether, as practical politics, it can be avoided. The territory of Russia includes 8,241,921 square miles. It is one seventh the area of the land on this planet. It is more than twice the size of the United States. It is three times the size of the whole of Europe west of Russia. It reaches from the Baltic to the Sea of Japan, from the Arctic Circle to the frontiers of Persia and Afghanistan. The population is rapidly rising and is estimated to be 164,000,000. Against such a commonwealth, can we expect to consolidate a civilization, disintegrated within itself by economic warfare, racial animosities and military preparedness?

In 1903, King Alexander of Serbia and Queen Draga were brutally murdered in their beds and the Obrenovic Dynasty was ended. King Edward of Great Britain was adamant against recognizing a Serbia over which the alternative dynasty of Karageorgevic was enthroned. But, in the end, these susceptibilities were over-ruled, and it was for Serbia that Europe plunged into Armageddon. So with Mexico. Controversies over religion and rights of property delayed recognition. But a government, the stability of which is assured, could not be ignored.

An attempt was made after the Armistice to apply to Russia what may be called a treatment. The sufferer was in a raging fever. Such fevers are infectious. The

patient must be quarantined, therefore, by what the French called a *cordon sanitaire*. But it must never be forgotten that fevers do not go on forever. The Russians would "snap out of it". The White Army again would control the Red Army. A Czar, liberal in his views but a Romanoff, would be restored to the throne of his ancestors. Russia would have returned to her senses and a reasonable Russia would again be recognized.

Slowly but surely, it became manifest that the revolution was a *fait accompli*. The Romanoffs did not look as if they would return, or govern if they did return. Somewhere in France, the ashes of the late Czar, recovered from the scene of his death, are secretly preserved. But it is the waxen countenance of Lenin, enshrined in the square of the Kremlin, that has become the cult of mystical Russia, and from an empty chair, sacred as that of John Calvin in Geneva, he still reigns.

Europe, at any rate has not been able to resist the diplomatic expansion of her eastern neighbor. The recognition of Russia may not be universal, but it is becoming the fashion. As early as the year 1922 Russia was invited into the family of nations meeting at the Conference of Genoa. To the dismay of the Allies, she used the opportunity to make terms with Germany at Rapallo, and that was only the first step. Today Russia is recognized by Britain, Italy, Japan, and even France. She has cultivated friendship with the eastern European states and with Turkey, Persia, and Afghanistan. Not only is there recognition. Treaties of commerce and non-aggression are added.

The feeling between Russia and the United States is not and never has been unfriendly. On the contrary, we discern one of those affinities between opposites of which the perennial amity between Italy and England is another example.

It was the earlier Roosevelt who, in 1905, helped to arrange the Peace of Portsmouth between Russia and Japan. During the terrible famine of 1921 it was Herbert Hoover, who, as Secretary of Commerce, supervised relief in Russia. The two countries are alone in their attitude toward the League of Nations. Each has sworn by a Declaration of Independence.

THERE SHOULD BE NO misunderstanding, however, over the immensity of the issues which are involved in this prospect of a new deal between the United States and Russia. More is meant by the development than the interchange of goods in mutually beneficial markets. The two countries have approached the crucial problem of disarmament along the same path. It is a path which, with incredible folly, an unteachable continent of Europe, or certain countries on that continent, have blocked. The United States, therefore, is building her navy up to treaty standard and Russia is equipping the most powerful army on this planet.

After the World War, it was the United States that influenced Japan to evacuate Siberia. It is the United States that sympathizes with Russia over Manchuria and the future of China. Russia has endeavored to secure her European frontier against hostile aggression. She turns to the Far East. She turns toward North America.

Recognition of Russia would end a situation, But, in life, situation to situation succeeds. We must be prepared for sequels.

THE WEAKEST LINK in the Soviet program, its transportation system. This poster has been used to educate railway workers in the importance of their tasks; in the importance of efficiency in moving various classes of freight. The slogan in bold capitals at the top is literally: "Greater Efficiency in Socialist Transport."



Russia: A Market, Not a Menace

By WILLIAM C. WHITE

PRESIDENT ROOSEVELT's administration, searching for self-liquidating "relief" projects that will stimulate employment, can find no better one than trade with Russia. Perhaps that is a new way of looking at the problem of Russian commerce; but the problem loses many of its complicating extraneous issues if it be considered as such a project.

Commercial relations between Soviet Russia and the United States have already had fifteen years of history. In 1919 we were a tacit partner to a boycott which prevented anyone from sending goods, even the most necessary of medicines, into Russia. In 1931 Russia was America's sixth largest foreign market, taking more than \$130,000,000 of our exports. In June, 1933, the American government agreed to finance American exporters in a sale of \$4,000,000 worth of cotton to the U.S.S.R. The cotton was bought on the open market; the Soviet government agreed to pay 30 per cent in cash; and the exporters guaranteed that at least 75 per cent of the funds invested by our Government would be returned.

In this development of commercial relations the Russians took the lead. The first sales of any importance to the Soviet Union were in 1923. The Russians needed cotton and copper and, later, machinery of the American type. They came paying cash. Trade with Russia increased from then on, without normal political relations between the two countries, without normal credit relations or facilities, and with hostile propaganda carried on by individuals on both sides.

Most complicated in this commerce has been the interconnection of politics and economics. The unique structure of the Soviet Union results in the fact that in all of Russia there is only one customer, one purchaser for foreign goods, one export agency—the Soviet government. Under any other system non-recognition

would not have seriously affected existing economic relations. Americans who were trading with firms in Manchuria, for example, still continue to do so, even though that land is now unrecognized Manchukuo. Occasional revolutions and new governments in South America do not break the bonds of commerce.

This lack of political recognition, based in part on Soviet Russia's confiscation of private property and her refusal to pay loans obtained by previous governments, seemed to imply to Americans that Soviet trade was unsafe and that its government could not be trusted. In 1924 various foreign governments began to trade with Russia, and found that trade profitable. American officials, however, disapproved of Soviet trade. But they put their approval on long-term credit arrangements with South American countries, or on the pyramiding of long- and short-term credits to Poland, Germany, and elsewhere on the Continent. Those officials proved to be poor judges, working with prejudices rather than with facts.

Some American manufacturers discovered that, whatever officials might think of trade with Russia, it was at least profitable and the Russians paid on time. Russian trade thus increased, in spite of non-recognition, until 1932. Excluding cotton and some few raw materials, the goods bought here were producers' goods: that is, machinery and equipment for Russian factories and mines. Consumers' goods—clothing, food-stuffs, and "store goods"—have seldom figured in Soviet purchases in any land. The Government has preferred to let an ever-growing shortage continue, promising the people that when producers' goods from abroad are installed and operating, then all consumers' goods will be made at home.

Soviet-American trade developed on the basis of short-term credits, few of them exceeding thirteen

months. The announcement of an arrangement between General Electric Company and the Soviet government, in 1929, involving partial five-year credits, was almost a sensation. In business between two firms even thirteen months is considered long-term credit; but in Soviet-American trade one "firm" was a government; and credit to governments, by means of loans, is usually for many years. As this trade developed, American machinery was installed that would later require other machinery, from America, and our engineers drew plans and projects that called for American equipment. Many of the schemes which Soviet engineers envisioned were patterned on American industrial methods, with the use of conveyors and large scale production devices, which America was best able to supply.

While this trade developed, however, there was a relentless drive in this country against attempts to remove some of the barriers that hindered its growth, particularly the political recognition of Russia. The anti-Soviet bloc has been led by many groups, including various patriotic organizations and the American Federation of Labor. There has been the grossest sort of inconsistency in their attitude. They have attacked any change in the existing abnormal political relations. But there is no record of the A. F. of L. ever objecting to any of its members working on Soviet contracts obtained by American firms; neither is there record of any super-patriot turning down dividends from corporations whose profit came in part from Soviet orders. Politics is politics—but business is business.

YET IF POLITICAL relations are unethical, then economic relations can scarcely be justified because of the gilding on them. It is time for some consistency in Soviet-American relations. The point of view of the few who believe that all relations with the Soviet Union should be shunned can be respected. But if commercial relations are desirable, not to say profitable, then everything should be done to encourage them. And facts, rather than prejudices and propaganda, should determine judgments.

There are various facts. First, Soviet Russia offers a market both for producers' and consumers' goods greater than any nation in the world. Second, American goods, American methods, and American technique are preferred and better fitted to the scheme and the demands of Soviet economic activity. Third, without credits, for terms as long as twenty-five years, very little can be sold to Soviet Russia. Fourth, no American firms can or ought to finance such credits.

The real problem of Soviet commerce is one of credit. American manufacturers, regardless of recognition or non-recognition, have always considered it in that light; but non-recognition has kept them from asking their government for the help which other governments have offered in order to promote trade with Russia. The depression has seriously affected Soviet industrial plans, at a crucial moment when many projects are only half-completed and other key plants have yet to be begun. Prices for exports and markets for exports have decreased. The Soviet export figure for 1932, showing a 38 per cent decrease in exports, is the result. With that went a decrease of 42 per cent from the 1931 figures of purchases abroad.

The effect upon Soviet purchases in America was even more unfortunate. American firms secured only \$25,000,000 of orders in 1932, compared to \$130,000,000

in 1931. The answer lies only partly in the effects of the depression on Russia; the lack of adequate—from the Soviet point of view—credits accounts largely for the drop. The Soviet government has turned a larger part of its orders to those countries whose governments do support Soviet trade with credit arrangements, notably Germany and England.

In these countries, particularly in Germany, the national government and local governments as well have discounted Soviet bills so that the individual manufacturer is reimbursed for his labor costs and the cost of his material. In the United States the individual manufacturer has had to extend credit from his own resources; in some few cases he could rediscount Soviet paper with private firms who charged him 25 to 30 per cent discount, and who have engaged in one of the safest and most profitable businesses of recent years.

Such makeshift arrangements will never enable the American manufacturer to compete with foreign firms desirous of selling to Russia. The only way in which Soviet trade can be increased is through the establishment of a large buying and selling corporation with a large capital fund behind it, supplied by the Government at Washington. Such a corporation could finance Soviet orders, letting the individual manufacturer carry a part of the risk (his profit) for himself. Such a corporation could operate almost on a barter basis in securing repayment, accepting Soviet commodities, and distributing them on the American market. Such a corporation could be set up under the Jones Act, "to further foreign trade".

Reports on the size of the Soviet market vary with the reporter. The most enthusiastic pro-Soviet sympathizers speak in terms of numerous billions. The truth is that the Soviet market, like any impoverished individual, would absorb as much as the outside world was willing to finance. The Soviet Foreign Minister, Mr. Litvinov, said at the London Conference in June, that Russia was in the market for a billion dollars worth of goods, including raw materials, metals, and machinery, as well as consumers' goods. It is worth noting that, with American delegates in the international audience, Mr. Litvinov spoke in terms of dollars, and not pounds, francs, or marks.

The possibility of selling half a billion dollars worth of goods to the Soviet Union each year for the next few years is not theoretical; it can be done on a sound business basis, far more sound than many "self-liquidating" projects which our Government has financed. Unlike bridges, tunnels, and housing projects—which have local significance chiefly—increased trade with Russia would be felt in every state.

Since 1928 the Soviet Union has exported approximately a half billion dollars worth of goods annually. Her imports have been about the same amount. The amount of this trade which has been done with America was, according to American customs figures:

	<i>Imports from U. S.</i>	<i>Exports to U. S.</i>
1927	\$ 64,921,000	\$12,877,000
1928	74,091,000	14,025,000
1929	85,011,000	22,551,000
1930	114,399,000	24,386,000
1931	103,669,000	13,206,000

Russian figures would show this trade volume to be slightly larger in both columns. These are United States figures.

Invisible items, expenditures by American tourists in Russia, money transfers by Americans to Russian relatives, and shipping fees, have added to the Russian side of the trading account. The remainder of Russia's adverse trade balance here—for her purchases have always exceeded sales in the United States—has been made up by sales to other countries.

The problem before an "American Corporation for Soviet Trade" is to find a market in the United States for \$100,000,000 of Soviet goods annually. This is less than 3 per cent of our average annual purchases abroad. That amount, over twenty-five years, would more than amortize a billion and a half dollars worth of credit to be extended during the next three years.

It has been feared that the products which Soviet Russia would send in repayment would compete with home products. Many of them, including furs, medicinal herbs, linens, bristles, raw skins, in no wise do so. There are other Russian products of which the United States produces less than are needed, including manganese casings, and higher grade anthracite. There are likewise numerous opportunities for "triangle" trades—by which, for example, we send goods to Russia, Russia sends oils to China, and China sends tea to the United States.

Such a corporation, working on a "barter" basis, could discount for the American manufacturer his Soviet orders up to a certain percentage, letting him carry some part of the business risk equal to his expected profit. It could also prevent Soviet exports coming on the American market at prices below American production costs. The great hue and cry about Soviet dumping, a few years ago, has passed by; and much of it had a political purpose. There will be no more if Soviet exports to America are turned over to a trade corporation for repayment for purchases made here, to be sold on the American market at a fair market price.

The fear most often expressed is neither about the extent of the Soviet market, nor of their ability to repay credits that are extended, but of their willingness to do so. This can only be judged on the basis of past performance and by considering what the consequences of their default would be. There is no commercial debt incurred since the Revolution that has not been met on time, as Soviet traders proudly boast. And the first default would so affect the whole Soviet structure, which is dependent on sales and purchases in foreign markets for a long time to come, that heroic efforts would be taken to avoid it. Defaulting has been fashionable internationally in recent years.

The Soviet Government is the only Russian customer involved in foreign trade; in that lies one advantage and one assurance to the American exporter. There are a thousand German customers, and more, buying from America. One or a dozen of them can go bankrupt and the exporter loses. There is only one Russian customer and that one—the Government—has resources and strength which no individual can have.



A PLEA to the peasants to turn in all junk to the government: bottles, bones, boots, scrap metal, paper, etc., that it may be sold abroad for funds with which to buy tractors that the success of the five-year-plan might be assured. The originals of the lithographs pictured in these pages are in striking colors, all 28" x 40" with the exception of the Lenin poster on page 22 which is 39" x 55".

The effect of large, carefully managed credits to Soviet Russia at this time would be felt in every one of the United States. In 1931 Soviet Russia was our second largest foreign market for automobiles; the leading market for industrial and agricultural machinery; the leading market for American oil-drilling and refinery equipment. The Soviet Union today is in the market for iron and steel, machinery, micrometers, lemons, cotton, rubber hose, wool, nickel—for the produce of almost every American industry. It can absorb existing surpluses; it can be used as a market for other surpluses as they pile up.

The Administration has at its command the ability to finance Soviet trade, knowing that such trade cannot increase without long-term credits, and knowing that the risk involved is less than the risk in many of the present domestic projects. We have moved far in fifteen years in our conception of the Soviet Union. The unemployed American will profit when it is realized that Soviet Russia means not a menace but a market.



WARLIKE, yet intended to justify to the Russian people the need of a strong armed force to guard the Soviet Republics from neighboring armed capitalistic nations. The poster proclaims "The red army is the true guard of the Revolution—the defender of the peaceful up-building of the U.S.S.R." The quotation from Stalin at the lower left reiterates this non-aggression policy: "We do not want one inch of territory not our own nor will we give up an inch of ours." The uniforms in the original lithograph are dark olive green with red stars on the hats and red collar tips.

Some Dangers of Soviet Trade

By HARRISON H. WHEATON

President, Institute of American Business

THE UNITED STATES is being propagandized for recognition of Soviet Russia. The bait dangled before our eyes is the alleged value and quantity of prospective exports to that country. Mr. Litvinov, at the London Economic Conference, hinted that Soviet Russia might place \$400,000,000 of orders with the United States if we recognized Russia and extended full and free relations.

The average American thinks that trade with Russia follows the same methods and conditions of sale as that with any other country. He believes that the entire matter is quite simple, involving nothing but recognition of the Soviet Government, the exchange of ambassadors, and the making of the usual commercial trade treaty. From this point on, our citizens, familiar only with capitalistic methods of individual initiative and enterprise, presume that trade proceeds in the usual channels—each exporter, trader, firm, or concern dealing direct with Russian firms and importers, buying and selling as with the nationals of other countries.

Such is not the case. There is no such thing as trade with Russia in the ordinary sense. There is no direct trade legally between the nationals of the Soviet Republic and the nationals of the United States or of any other nation.

Foreign trade, both export and import, is a monopoly of the Soviet Russian Government, and was so established by decree originally on April 22, 1918. It is specifically provided in the Russian Constitution, adopted in 1923, that the "direction of foreign trade, and the establishment of the system of internal trade" is to be under the supreme authority and control of

the Union of Socialist Soviet Republics. Trade with Russia must go through the hands of the Soviet Government, through the Peoples Commissariat for Trade as the particular agency established to buy and sell. The Government is either the buyer of imported goods, or supervises the buying by or for coöperative organizations of an official character.

This government monopoly of trade leads to policies and methods of commerce entirely different from those of capitalistic countries. It takes away from the Russian citizen the right of engaging in commercial trade. Where a French, American, or German citizen, subject to minor regulations, could travel throughout another country to make trade contacts, buy and sell goods, advertise, establish branch offices and agents, etc., a citizen of Russia, as such, is absolutely debarred from all these customary prerogatives of international trade. So also is the alien debarred from engaging in any such procedure in Russia. For him to attempt to carry out a program of that kind would subject him to arrest, at least to expulsion and the confiscation of his goods as a species of contraband.

The export and import trade of Russia is a matter of national policy. This statement seems innocuous until its logical consequences are explained and the methods employed by Russia in the conduct of foreign trade are fully understood. Actually, Russia, as a communistic system, does not care to export or import goods or materials. The Communist state desires to be wholly autonomous; it does not fundamentally care to engage in trade at all. It *does* engage in such trade because it has to, i.e., because it is obliged to buy cer-

tain necessities from outside its boundaries, and has to sell commodities to get the means wherewith to pay for imports.

To carry on commercial relations with a country which uses trade as an instrument of national policy, rather than as a means of increasing the wealth of its individual citizens, leads to many innovations. In the first place, since Soviet Russia seeks to develop an autonomous state, she is interested in buying from foreigners only such manufactured goods and machinery as will enable her to industrialize her own country. Inasmuch as she is short of heavy machinery, she has to get her start by importing the equipment necessary for production. When she has secured enough machinery she will manufacture her own equipment as well as the greater proportion of her own goods. Having vast natural resources in coal, iron, metals, etc., and enormous capacity to raise wheat and other foodstuffs, she will be quite independent of the world and its trade in the ordinary commercial sense.

These considerations bring us to the obstacles which other nations have encountered in trading with Russia. Under no circumstances should the United States recognize Russia without extracting comprehensive, definite agreements along certain lines. The basic principle of recognition should be that for every dollar of goods sold to this country by the Russian Government or by its semi-governmental agencies Russia must be required to buy from us goods equal in value, for which only a minimum and controlled credit, if any, is extended. Any other commercial arrangement would lay us open to unfavorable trade manipulation.

England made that mistake, both in her trade agreement with Russia adopted in 1921, and in her temporary commercial agreement made in 1930. England now feels keenly the fatal error which enabled Russia to develop an adverse trade balance against her during those years and now desires to correct her trade arrangement with Russia. Let us consider Britain's experience with the Soviet in some detail. In leading up to recognition and trade agreements, Soviet officials set forth in glowing terms the enormous purchases that were waiting to be placed with England as soon as formal arrangements were ratified. A British delegation to Russia was loaded down with printed matter enumerating the trade prospects then in the making. What happened in the ten years following?

For the first three years of trading—1921-1923—Soviet Russia bought British goods amounting to only £8,313,000, but she sold Soviet goods to England totaling £20,063,000. From 1924 to 1926, the Soviet enhanced their position against England by selling her goods valued at £69,226,000, and buying only £15,958,000. By the end of the first eight years of trading, British imports from Soviet Russia totaled £131,917,308. Her exports to Russia amounted to only £31,496,510, leaving England, to her surprise, with an adverse balance of trade totaling £100,420,798.

Then followed the Russian Five-Year-Plan of eco-



COMPETITIVE TEAMS in both the armed forces and industrial plants win rewards and favors—an idea for increasing production borrowed from the notebook of capitalism. In Russia all effort is pictured as war on the common enemy of the working class: capitalism, represented in this poster as blinded by the naval searchlights.

nomic development, in which Russia became a buyer of foreign machinery and industrial equipment. English representatives were led to believe that Russia would easily place annual orders in Great Britain for £150,000,000. Subsequent events were a satire on British trade astuteness. Russia bought during the three following years—1929, 1930, and 1931—£17,654,000 of British goods, but she sold £92,900,000 worth to Britain.

At the end of eleven years Great Britain's position was extremely unsound in the matter of international trade balance. Soviet Russia had outsold Great Britain by £175,667,485, and this amount was payable in British gold. Russia forthwith proceeded to employ this favorable gold balance toward payment for goods she imported from other sources. In other words, the unfavorable balance of trade against England became a gold reserve in favor of Russia, on which she drew whenever she needed to pay for imports from other countries. It is without doubt true that one of the principal factors contributing to forcing England off the gold standard was the persistent drafts upon her gold supply by the Soviet Government as a consequence of trade.

What Soviet Russia has literally been doing is to

employ the capital and economic wealth of capitalistic countries as her working capital in the operation of her government trade monopoly. Approximately 80 per cent of Russian purchases from the world at large is on short-term credit, but for longer periods than good trade practice dictates. Soviet import trade is based primarily upon credit, not cash. Soviet export trade is based almost wholly on cash. That means that every nation engaging in commercial intercourse with Russia has been forced to pay cash when it bought goods from the Soviet but had to extend long-term credits in order to acquire Soviet orders. The record of Soviet trade operations sustains this vicious aspect of Russian trade relations overwhelmingly.

ITALY'S experience under a two-year trade agreement is precisely in point. At the end of the first year Italy discovered that she had imported \$29,000,000 worth of goods from Russia, for which she paid almost wholly in cash. During the same period she had sold goods to the amount of \$14,000,000, practically all on credit ranging from nine to fifty-two months. Since the Bank of Italy will not rediscount the paper representing this credit, most of it is not liquidated, and Italian manufacturers and exporters are still holding it.

The adverse trade balance continued in the second year of the Italo-Soviet trade relations, Russian manipulations getting the better of Italy to the extent of \$5,000,000. In the two years, Soviet Russia developed a favorable trade balance of \$20,000,000, payable in cash, in gold, which she proceeded to draw out of Italy for her own purposes. But she paid Italy in long-term credits. So unsatisfactory was the experience, that Italy, left holding 500 million lire in Soviet promissory notes, refused to renew the trade agreement, even at the risk of possible repudiation or default and loss of further trade with Russia.

The Russian market is like no other market in the world. It is a market upon which American exporters cannot depend. Subject at all times to the objectives of Soviet political economy and frequent revisions of national planning and industrialization, it is characterized by an instability which American capitalism cannot understand and interpret. It is subject to manipulation, usually actuated by internal development concerning which little public information is available.

Quite frequently, however, Soviet trade officials are confronted with the necessity of balancing or attempting to balance their trade position with a certain country, or to square up their short term indebtedness for imports from that source. To do this, raw materials or goods are either dumped in that country at prices under the market, or imports are checked from that country while they are increased temporarily from another state. No other nation could successfully manipulate its trade in this manner, since no other great trade country has a state monopoly of its foreign commerce.

Such a régime is not conducive to that type of reliability upon which the United States could build up an export trade. At the height of a large export movement of American goods we might, as other countries, particularly England, have found, suddenly find ourselves confronted with a complete shift in Soviet buying policy, which would leave us high and dry on the shoals of communistic trade policy revision.

Furthermore, the Russian market is honeycombed with smuggling practices. The import and export of

contraband goods is enormous. According to Arseniev, an expert of the Commissariat of Finance, during the first years of restored trading relations with foreign countries contraband imports amounted to 40 per cent of the value of legal imports. Russia has an extraordinarily large frontier to police, particularly in the east, and Soviet authorities have never been able to get control of this situation. Legitimate firms, compelled to buy and sell through the Government, are therefore subject to unfair and destructive competition in attempting to build a Russian market for their products.

Another characteristic of the Russian market is that it is a market for producer, not consumer, goods. The Soviet ambition to manufacture and produce their own goods for internal consumption is essentially communistic and nationalistic. The typical Communist is a Puritan. Hence, he prefers to limit himself and the Russian population to bare necessities. This leads to a ban on imports of consumer goods of the luxury class and even to many of the necessities. Only a revolution in Russia could change this situation. The United States must build up export trade by selling consumer goods. Our industrial machine now is geared to mass production of manufactured articles, merchandise, and equipment for consumption. How, therefore, could the American manufacturer hope to profit from an attempt to break into the Russian market?

UNDER THE Five-Year-Plan, heavy machinery was bought from the United States, but under the next Five-Year-Plan light machinery purchases are scheduled for import. This emphasizes the fact that the Russian market is not permanent or reliable. A limited number of American firms might profit for a time but American trade in general would derive little continuous benefit from that kind of market.

Recognition of Soviet Russia, followed by trade treaties and relations, could not alter this situation. Soviet trade procedure is fixed by the very provisions of the Soviet Constitution. To alter their methods would involve a radical change in their fundamental philosophy of national economy and industrial-agricultural control. We cannot expect Soviet authorities to make such changes for our benefit. We are utterly misleading ourselves when we believe that recognition and trade relations with Russia will of themselves open up an unparalleled market for American goods. The nature of the Soviet controlled market is such that the question of recognition is not the dominating feature in the development of our trade with Russia. Recognition would put Russia in a position to demand greater trade credits and longer terms from the United States firms. She might ask government guarantees from this nation, as she demanded them of England and other European countries, to their great financial embarrassment.

Part of the present financial and economic depression is undoubtedly traceable to the Soviet policy of forcing foreign countries to finance her trade with them as a condition for obtaining part of her orders for goods. Great Britain paid for this illusion to the tune of £175,000,000 of gold withdrawals by Russia in eleven years of unhappy trade relations. The United States should take heed of England's experience. Great Britain is now demanding dollar for dollar trade—trade by barter of goods of equivalent value. And this is the only basis on which the United States should consider doing business with Russia.

The Road to

Industrial Recovery

By EDWARD N. HURLEY

Former Chairman of the Federal Trade Commission



THE EAGLE'S BROOD

By Talburt, from the
Cleveland Press

SPEAKING as a business man to other business men, I want to discuss the broader aspects of the business outlook under the Industrial Recovery law. I am writing this at a time when the superficial situation is changing from hour to hour; when men in Washington and in our great industries are working at a tremendous speed to bring order out of uncertainty. It is all reminiscent of war-time. But we managed to get order in war-time, and we will get it now. Although no man can foretell what will be the exact situation a week or two ahead, nevertheless certain fundamentals stand out plain and large.

First of all, we must bear in mind the intentions of President Roosevelt. It is clear that he wants to bring about a reasonable prosperity for every business man in the United States, so that we can all work at our jobs from one year to the next and know that we are serving our families, our stockholders, our employees, the consumers of our products, and the country as a whole. That is the President's purpose.

I knew him during the war, when he was Assistant Secretary of the Navy and I was chairman of the Shipping Board. We all recognized him then as a man of admirable judgment, and I particularly recall his service as the naval member of the Labor Adjustment Board, on which the Shipping Board also had a representative. Last year, as it happened, I was the chairman of the committee that brought both national political conventions to Chicago.

I have had occasion to know what perplexities confronted the President, his official advisers, and the leading industrialists of the country during the first two months of the new administration. The situation was desperate. Price-cutting and wage-cutting were going on at a frightening rate. Competition had been allowed to get utterly out of hand. The Government had to step in, and that is why business is now operating under an extraordinary degree of guidance and supervision from Washington.

Will there be too much of this? Perhaps. But I have every confidence in the President. I believe that if business men will heartily cooperate with him, he

will give them not only a new deal but a square deal. His official associates, being human, are not infallible, and so it is quite conceivable that the governmental regulation may prove too severe; but these men wish to be fair, and they are big enough to change their minds if they find they have made mistakes. From any undue severity there would be reaction.

Business men are now more alert as to governmental problems than they ever were. They will be more submissive during an emergency than when times approach normal. You may rely on them to fight in defense of their interests. And the public will support them. The American people do not want more governmental supervision than is absolutely necessary. They will see to it that if the pendulum swings too far one way, it shall be made to swing in the other direction. Let us not worry too much about distant dangers.

What we have to deal with is an emergency. We recently found that prosperity was being prevented by the unfair practices of a minority in many lines of business. And in coping with this minority, I think we have a fundamental rule which will lead to a relaxation of our present restrictions later on. I tried to state it in 1916, when I was chairman of the Federal Trade Commission. Bad practices by a minority were in existence then, though they were much less flagrant than we have recently found them to be. Giving every help I could to the formation of trade associations as a means of abating this evil, I said:

Bad practices have such a grip on some industries that no individual manufacturer can abandon them without placing himself at a serious disadvantage. . . . Here is a field of constructive work for trade associations, and some organizations have accomplished much in it. . . .

The individuality and energy of our business men, with fairness and efficiency, and with the proper kind of cooperation in their trade associations, will almost certainly make competition the wholesome governing force it ought to be. But exceptional cases may arise when competition fails to regulate. If such a case arises, if competition is found to aggravate instead of cure, the Government should step in and regulate the business.

There is the fundamental principle upon which the Administration is proceeding. Only when competition cannot regulate should the Government do the job. Competition proved an evident failure several years ago in the coal and petroleum industries, and therefore, making a speech before the Institute of Public Affairs at the University of Virginia in August of 1929, two months before the stock crash, I predicted governmental regulation of these two industries. And it is a noteworthy coincidence that codes for both these industries were recently submitted to the National Recovery Administration on the same day.

When competition aggravates instead of cures, the Government must intervene. Not otherwise! That is the rule we should follow. Now let us see what our condition was last spring. I happen to know of a typical incident that was brought to the attention of high government officials. There was a textile mill in Massachusetts that normally employed 200 persons. It had not operated for a year and a half. Finally the former employees went to the proprietor and begged him for work at any price. He was a member of a trade association. He could not get orders because he insisted on living up to the trade agreement, while some of his competitors were less scrupulous. But now his workmen asked for wages—any wages—so that they might eat. Accordingly the proprietor went to New York and procured orders to keep his plant going for six months. Thus he gave work to 200 people. But he had quoted extremely low prices, and his success was accomplished at the expense of several competitors, who otherwise would have been able to keep a thousand people at work for a month at higher wages than he was now paying.

Such incidents demonstrated that the textile industry was on the verge of disaster because of absolutely ruinous, cut-throat competition. Much the same was true in other industries. Prices went so low last spring as to compel a fresh wave of wage-cutting, which spread through the whole industrial structure. The country was facing a tremendous further deflation. The Government and many of the leading industrialists agreed that this must be stopped, or the economic ship might go into further storms. They united in a fundamental policy to produce the re-employment of labor and the consequent increase of general purchasing power, so as to enable industry to sell a larger volume of goods. More volume, at a moderate profit per item, would produce a total profit large enough to support industry. This was the underlying object of the Industrial Recovery Act; and, whatever may be the differences of opinion regarding details, this underlying object has in general been adhered to by President Roosevelt, General Hugh S. Johnson, Secretary of Commerce Daniel C. Röper, and the other officials directly concerned in the Industrial Recovery program.

One of the essential provisions in the program is that the Government shall allow a reasonable lifting of the anti-trust law restrictions. This is not the first time that the anti-trust laws have been materially modified. Acting on strong recommendations by the Federal Trade Commission during my chairmanship, Congress long ago enacted the Webb-Pomerene Law, which permits American manufacturers to come together and so agree upon prices in foreign markets as to meet competition. This modification of the anti-trust laws was made to overcome a certain difficulty. Now we have made another modification in those laws, to meet another necessity.

There is no reason to fear that this new freedom will be used to gouge the consumers. There is a proper control in the hands of the Government, which represents public opinion. The American people are fundamentally reasonable and moderate. Any excess will bring a reaction. We have simply given industry a needed liberty, in order to prevent irrational competitive waste that has been hurting all the people.

Other provisions of the Industrial Recovery Act have now produced higher wages and a shorter working-day. By spreading the work we have considerably increased the number of people on the payrolls. As a result there has been a great reduction of the burden on states and cities—which means the taxpayer—for relief of the unemployed. The new workers will spend nearly all their wages for living necessities, and thus will constitute a new market for American business as a whole.

It was entirely natural that the recovery program should swiftly lead to higher prices. In some cases the higher labor costs could not be borne unless prices

were raised; and then, too, many producing companies were so badly off that they reached out eagerly for any available dollar. But it would have ruined all hopes of recovery if prices had outrun wages. This is why the Government immediately used all its powers of persuasion to curb the price increase for the time being. Higher wages and a wider employment of labor constituted the bedrock of the whole program. After all, what any business man wants is not a higher price per item, but a higher total profit; and, in general, the way to achieve that end is by increasing the volume of sales—which in turn depends on the re-employment of labor.

Now, all of these efforts are very complex, and certain dangers are obvious. The Government and the trade associations must beware of making things so

soft as to encourage inefficiency. In good times even an inefficient company can make money, and then the consumers are burdened with the cost of waste and pomposity. Staffs increase. Hours and days are spent in long conferences, the main result of which is to enable the participants to pass the buck on vital matters. Officers and employees bustle around to conventions, rolling up huge (Continued on page 61)



By Fitzpatrick in the St. Louis Post Dispatch
AND IF THEY DON'T FOLLOW THE FLAG

ADVERTISING and selling. Upon these depend not merely whether the nation now moves forward to the greatest prosperity ever known, but whether (instead) we drift into a chronic slump in our standard of living.

Put Your Wares in the Window

ROGER W. BABSON



By Fitzpatrick, in the St. Louis Post-Dispatch

ECONOMISTS have made many blunders, but one of their most unhappy and mischievous errors is "the economic man". This unearthly and non-existent being is assumed to be continually looking for valuable, desirable, and improved goods to buy. In quoting Emerson that "The world will beat a path to the door of the maker of a better mousetrap even though he hide his hut in the heart of the woods", Elbert Hubbard was poking fun at the economist's "economic man". The only person who would beat a path to the abode of the lonely mousetrap-maker would not be a customer, but rather some salesman for the American Cheese Company. Buyers will not search out woodland huts or even metropolitan stores, unless drawn by persistent publicity and salesmanship.

Of course, all successful merchandise must have outstanding merit. This is elementary. You cannot profitably advertise and sell any product unless it has the intrinsic worth that leads to repeat orders, word-of-mouth advertising, and customer selling. The reverse, however, is decidedly not true. Excellent products have fallen flat for lack of effective distribution. Splendid successes have collapsed when robbed of their publicity and merchandising support. Goods do not sell themselves, except to the "economic man" falsely imagined by theoretical economists. This is one of the cardinal lessons which we are learning in this depression. All the advertising and selling in the world could not have stopped the avalanche of 1929 before it reached its natural termination. All the needless suffering and wearing delays of the past year, however, are primarily caused by deplorable failure to advertise and sell.

Anyone who doubts the social importance of advertising and selling has only to turn to 1932-1933 to have his question answered. At the very hour when necessary deflation has been accomplished and business is poised near dead-center, awaiting only a little cour-

ageous selling pressure to start the upward spiral, here is what we find. Advertisers cut their publicity 25 per cent below the preceding year! As a direct result of this cowardly retreat, unemployment is being prolonged and millions of families are sentenced to additional months of economic punishment.

This question of the social importance of advertising and selling, however, is broader than the passing hours of a single crisis, no matter how dramatic it may seem at the moment. Greater than the turning point of a business depression is the overshadowing problem that comes in its wake. There is no doubt that the United States will rally and measurably recover from acute collapse. The real riddle is if there will be a major aftermath of the depression; namely, a chronic slump in the standard of living.

The answer to this query depends upon the extent to which the energies of our people are turned to the all-important task of increasing advertising and selling efforts, thereby rebuilding buying power and thus restoring the standard of living.

Even in normal times—yes, even in the hysteria of a boom—the public buys improved products only as these are effectively brought to its attention and command by ceaseless, powerful advertising and selling. At the start of a major upward swing, customers are crippled and dispirited by the agonies of the past few years. They will stagnate in prolonged economic coma and lethargy unless aroused by advertising to put forth their full energies. Not within the memory of the present generation has there been a clearer call to national economic service. An unparalleled opportunity for a career of surpassing usefulness and profit confronts all young people who are capable of salesmanship. To be sure, as you go up and down the land you will still see signs hung on the gates of business establishments: NO HELP WANTED. More significant, however, than these tragic placards, are the signs of the

times, saying that the whole nation desperately wants advertising and selling help.

DURING the past few years all manner of organic and functional weakness in society has been disclosed. More disquieting than the uncovered iniquities of individual men, we have witnessed the disgraceful performance of democracy. It nearly discredited itself. During the war of 1914-1918 we fought under the slogan: Make the world safe for democracy. Must we presently engage in a struggle to make the world safe from democracy? We have been staring at the appalling inefficiency, the almost abject failure of democracy to serve us in emergencies, crises, and prolonged hardships. Faced with spectacles such as the last Congress, men's thoughts veered toward some form of fascism or dictatorship. I am not prepared to say that such thoughts are wholly illogical. In this connection, I quote the following editorial from the Attleboro (Massachusetts) *Sun*:

A Committee from Rosebud Hollow called on the railroad president and asked to have the Rosebud Hollow train schedule changed.

"Certainly," agreed the president. "Get a hundred of your citizens to sign a petition for the schedule you want and we'll give it to you."

The committee thanked the accommodating railroad president, went home, and enthusiastically set about getting a petition signed. Later the committee returned to the railroad president and reported that they could not get a hundred people to agree on a schedule.

"All right," said the affable head of the road, "Get fifty people to agree and we'll change the schedule." Again the committee thanked the president, and set about what seemed to be an easy task.

Several weeks later the committee again filed into the railroad president's office.

"We can't get even fifty people to agree on a schedule," they said. "Everybody has his own different notion about when the trains should arrive and depart. You go ahead and run those trains any way you doggoned please. We're through."

In view of the record of democracy during the past few years I maintain that three alternatives are plainly disclosing themselves:

1. Stagnation of the present standard of living, at levels which were outgrown twenty years ago.
2. Some form of fascism or dictatorship whereby the public is kicked up the ladder of progress.
3. An advertising and selling effort which will lead the nation forward along an ascending line of normal growth.

A great service can be performed by all who help restore the buying power of the people and rebuild their standard of living. Bank holidays, real estate tangles, farm mortgages, mass pauperism, and all the other manifold distresses—these are but the various

symptoms of the underlying central reality of crushed buying power. In previous periods of depression, after necessary deflation had been completed, there was every reason to expect what duly happened: namely, expeditious return toward normal buying and the gradual elevation of the standard of living. How is the situation different today?

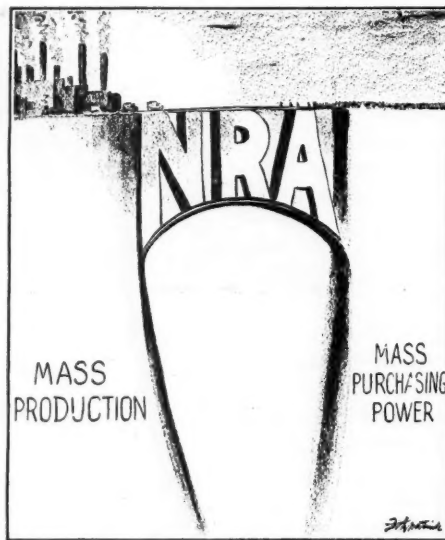
Today the situation contains—not a new factor—but a factor of new importance. Our nation is entering its period of maturity. The United States is no longer a debtor but a creditor nation. Consequently, we must now develop a new school of national economics. Furthermore, maturity is also revealed by our chart of population growth. When percentage rate of increase of population is plotted, the curve shows signs of rounding over, like the stooping shoulders of age. The population graph, when viewed on a percentage basis, no longer slants steeply up as it has in previous periods. We are feeling the arithmetic of growth.

NO LONGER can our nation count on the mainspring of progress inherent in a country while in its pioneering period. If ever a nation can dispense with pressure of advertising and selling, it is during its pioneer days, not during days like these. Any country as it enters its period of maturity must be lifted by the force of publicity. Otherwise the country is content to stagnate, retrograde, and deteriorate. Whether you study the growth of yeast cells, the growth of a colony of fruit flies, or the growth of

earth's mightiest nations, the curve of growth has a characteristic form in each case. So close is the similarity of such curves that they have even been described in a mathematical formula. The formula is less interesting than the fact. The fact is that in Period One, growth is gradual; in Period Two, percentage of growth is extremely rapid; in Period Three, percentage of growth dwindles or may break downward.

This famous curve of growth has sometimes been looked upon as the curve of doom. There is no reason, however, either historical or scientific, why we need surrender to such economic fatalism. It is true that in several of the vital indicators of national growth, the United States has been showing a tendency to slacken speed. There is a definite possibility, however, that we can begin at current levels and start a new curve of growth, rising as a separate story on the old curve. The answer lies with our young people of today. Though our country has lost the driving power of pioneering, we can replace the old push by the new pull—the pulling power of salesmanship.

Hence, when young people, by good luck or good sense, are showing an interest in advertising and selling, they are looking into a field of supreme social importance. It is socially important that the economic recovery, which is beginning to stir, shall be carried to completion. From a broader viewpoint, it is socially



By Fitzpatrick in the St. Louis Post-Dispatch

BRIDGING THE GAP

important that recovery shall not stop with duplicating the standards of twenty years ago, but shall be extended gradually, yet steadily, toward higher levels. Why insist upon the imperative necessity of normal growth? Because, in the case of these long-range economic and social curves stretching over generations, there can be no such thing as a permanent flat-spot. These statistical lines of destiny are curves that must either slope upward or droop downward. The nation that has ceased to climb has begun to slip. The only safeguard from decline is continued advance.

THE INDUSTRIAL, commercial, financial and social structure, which the United States has built up, exceeds anything which the world has ever known before. It is a stupendous edifice, but the price is in proportion. One of the chief items in the price we are paying for progress, is that we have become, to a large degree, a nation of hired men. In the old days, a father would talk about "setting my son up in business". Now the average father talks only of getting his son a job. There is vital need that more men should aim to be owners, proprietors, and employers. This requires that more men should go into advertising and selling.

We are in the midst of emergencies and plain talk should not be spared. The United States is rising from what may be recorded in history as the most devastating depression on record, a calamity of world-wide reach. Ten million unemployed are around us. A hundred million or more have had their standards of living impaired. The whole country looks like a battle-ground and slaughter-house.

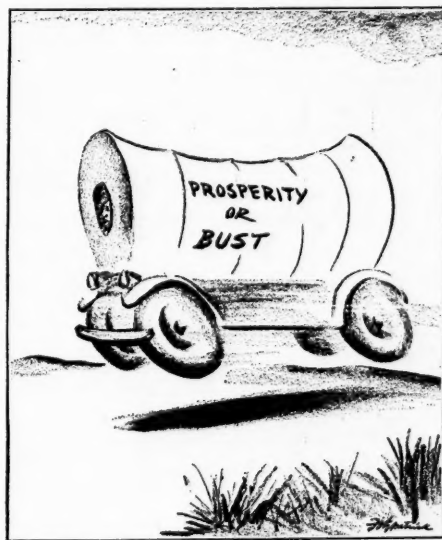
The gravity of our plight demands that certain facts be stated bluntly but accurately. Suppose that I hire a factory. At present, this may cost me nothing, because many communities will gladly place a plant at my disposal free of all rent if I will undertake to give employment. Then let me run an advertisement calling for factory workers. Within twenty-four hours 10,000 applicants will crowd the yards. The majority will be fairly efficient and satisfactory operatives. Then let me run another advertisement calling not for factory workers, but for salesmen. There will respond only about 200. Of these 150 will go away when they learn that the work is on commission rather than salary; of the remaining fifty, ten will look good enough to hire; of the hired men, five will last a month; and of the final five, two will last a year. It is evident, therefore, that the overwhelming problem in business is distribution. The vacancies are to be found in advertising and selling.

Our laboratory and technical staffs should be flexible and mobile. During the period of high "prosperity", the technicians can put their energies into developing "labor-saving" inventions and processes. During a period of depression and recuperation, the technical

attack should be revolutionized. Every project then should be devoted to developing "labor-using" inventions—that is, something which will increase employment and sales.

There are words hardly strong enough to express the inertia of the public. Left to itself, without advertising and selling, the public drops into an animal-like existence, content with a leaky roof, unwholesome food, and rags for clothing. Were it not for the women, civilization would sag back five years every twelve months. Even the women are temperamentally careless. They do not actively seek out and positively buy electric refrigerators, paper towels, and other progressive merchandise. Only under the education of advertising and selling have women risen from the spinning wheel and thrown away the old roller towel. Remember that business requires volume, mass production and mass distribution. The radio and other modern goods would still be laboratory curiosities if they had depended upon the patronage of a little group of progressive customers. The real markets are the millions of average men and women who never "buy" but must always be "sold".

People are bound to make mistakes; but the mistake which will count most against them will be mistaking the plain evidence which now points to advertising and selling as of paramount importance. Nobody can afford to make mistakes in interpreting fundamental statistics. An anonymous philosopher uttered a world of wisdom when he



By Fitzpatrick in the St. Louis Post-Dispatch

PIONEERING—1933

wrote the following inevitable truths:

- When a garage man makes a mistake,
he adds it to your bill.
- When a carpenter makes a mistake,
it's just what he expected.
- When a preacher makes a mistake,
nobody knows the difference.
- When a lawyer makes a mistake,
it becomes the law of the land.
- When a doctor makes a mistake,
one sends flowers.
- But when economists make mistakes,

GOOD NIGHT!

Though the days of the pioneers have gone, we may still have the spirit of the pioneers. Through advertising and selling we will get the lift we need to keep the line of normal growth slanting steadily upward, and the urge needed to get off the ground now that the depression has run its course. Our nation, though undeniably nearing the end of one chapter, is only at the beginning of another on an even greater scale. Millions now living can look *back* upon the greatest war in history; they can now look *up* from the greatest depression on record. My forecast is that, if advertising and selling prevail, the present generation can look *forward* to the greatest progress which the world has ever known.

INDEX OF GENERAL BUSINESS

American business during the month of July still shows the tremendous momentum of progress due to the operation of natural recovery forces and the stimulus provided by the Administration. The following composite index of business for the month of July, prepared for this magazine by *The Econostat*, rises from 63.5 per cent of normal to 68.1 per cent. This figure compares with 52.2 for July, 1932. There is definite evidence that the progress of business is tapering off and is reaching a plateau or possibly preparing for a recession. A less comprehensive statistical measure prepared by weeks shows

a reduction in the weekly rate of increase through latter July and a slight decline during the first week of August.

The reason is reasonably clear. The impact of the government program in the field of material prices and labor costs was such as to accelerate all types of business in an effort to cover as much ground as possible before higher price levels and higher costs became effective.

This spurt in production, the rapid rise in general commodity prices and the failure of employment and wages to keep pace seriously disturbed the Administration a month ago. It was one of the reasons for the vigorous prosecution

of the NRA program for higher wages and shorter working hours. Output has now abated. Commodity prices, particularly primary commodities, have leveled off at a point slightly above the three-year average 1930-1932.

Evidence of consumer vigor is provided in Federal Reserve Board returns showing department store sales 4 per cent ahead of July, 1932, the first improvement during the depression. Increased employment and higher wage payments also appear, running definitely counter to the usual summer trend.

The evidence, therefore, indicates that output is levelling off and possibly declining while at the same time the capacity of the public to consume such output is on the increase. This is the change for which the Administration has been striving.

INDEX OF GENERAL BUSINESS		UP
July, 1933	68.1	
June, 1933	63.5	
July, 1932	52.2	

INDEX OF FINANCIAL ACTIVITY		UP
July, 1933	65.7	
June, 1933	58.0	
July, 1932	43.0	

Bond Sales—N. Y. Stock Exch.		Index UP
July, 1933	154	\$384,000,000
June, 1933	137	411,930,000
July, 1932	97	243,600,000

Stock Sales—N. Y. Stock Exch.		Index DOWN
July, 1933	121	120,300,000
June, 1933	128	125,627,000
July, 1932	23	25,100,000

Corp. Div. and Int. Payments		Index DOWN
July, 1933	95	\$763,219,000
June, 1933	97	571,529,000
July, 1932	101	814,400,000

New Corporate Security Issues		Index	Data
July, 1933	—	not available	
June, 1933	2	\$12,081,000	
July, 1932	23	112,000,000	

Money Rates in New York City		Index NO CHANGE	Data
July, 1933	25	1.16%	
June, 1933	25	1.17%	
July, 1932	37	1.69%	

Bank Debits in N. Y. City		Index UP	Data
July, 1933	65	\$17,354,000,000	
June, 1933	61	16,743,000,000	
July, 1932	52	12,728,000,000	

Rate of Circulation of Bank Deposits in New York City		Index UP	Data
July, 1933	63	2.80	
June, 1933	50	2.55	
July, 1932	50	2.25	

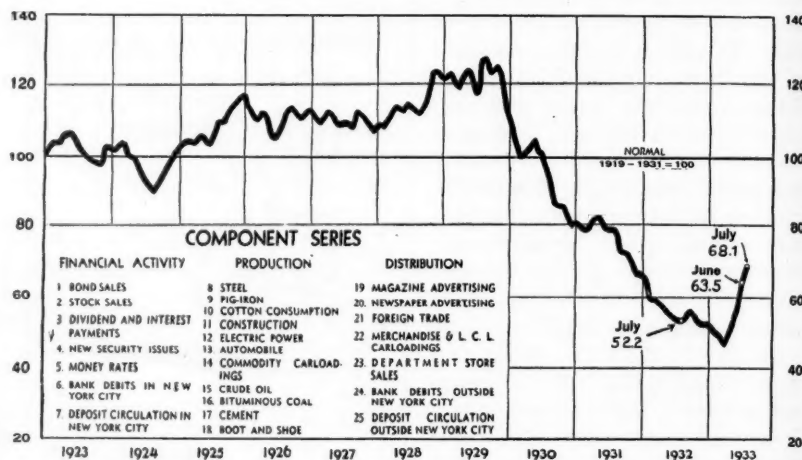
INDEX OF DISTRIBUTION		Index UP
July, 1933	71.6	
June, 1933	69.4	
July, 1932	62.7	

Magazine Advertising		Index DOWN	Data
July, 1933	46	1,315,000	(agate lines)
June, 1933	47*	1,746,000	
July, 1932	55	1,103,000	

Newspaper Advertising		Index	Data
July, 1933	—	not available	(lines)
June, 1933	—	not available	
July, 1932	62	50,449,000	

Foreign Trade		Index	Data
July, 1933	—	not available	
June, 1933	—	not available	
July, 1932	65	\$186,000,000	

* Revised



Merchandise Carloadings		Index UP	Data
July, 1933	71	391,000	(weekly aver.)
June, 1933	67	383,000	
July, 1932	60	333,000	

Department Store Sales		Index DOWN	Data
July, 1933	76	69	(Fed. Res. Ind.)
June, 1933	78	67	
July, 1932	77	67	

Bank Debits Outside N. Y. City		Index UP	Data
July, 1933	64	\$13,878,000,000	
June, 1933	62	12,968,000,000	
July, 1932	63	12,511,000,000	

Rate of Circulation of Bank Deposits Outside N. Y. City		Index UP	Data
July, 1933	86	1.52	
June, 1933	79	1.46	
July, 1932	66	1.17	

INDEX OF PRODUCTION		UP
July, 1933	67.1	
June, 1933	62.3	
July, 1932	49.0	

Steel Ingot Production		Index UP	Data
July, 1933	79	56.00%	(capacity)
June, 1933	62	45.96%	
July, 1932	21	14.66%	

Pig Iron Production		Index UP	Data
July, 1933	69	58,692	(aver. daily tons)
June, 1933	47	42,166	
July, 1932	22	18,500	

Domestic Cotton Consumption		Index DOWN	Data
July, 1933	137	580,000	(run'g bales)
June, 1933	148	690,000	
July, 1932	68	278,656	

Total Construction Contracts		Index UP	Data
July, 1933	29	\$ 91,000,000	
June, 1933	28	103,255,000	
July, 1932	44	129,000,000	

Electric Power Production		Index UP	Data
July, 1933	78	249,000,000	kwh. hrs. (aver. daily)
June, 1933	76	243,000,000	
July, 1932	72	210,500,000	

U. S. Automobile Production		Index UP	Data
July, 1933	70	230,000	(cars & trucks)
June, 1933	65	250,000	
July, 1932	34	111,139	

Commodity Carloadings		Index UP	Data
July, 1933	66	228,000	(aver. weekly)
June, 1933	53	183,000	
July, 1932	43	151,000	

Crude Oil Production		Index NO CHANGE	Data
July, 1933	103	82,150,000	(barrels)
June, 1933	103	78,660,000	
July, 1932	83	66,310,000	

Bituminous Coal Production		Index UP	Data
July, 1933	80	29,400,000	(tons)
June, 1933	69	24,920,000	
July, 1932	49	17,857,000	

Portland Cement Production		Index	Data
July, 1933	—	not available	(capacity)
June, 1933	42	35.2%	
July, 1932	40	33.4%	

Boot and Shoe Production		Index	Data
July, 1933	120	not available	(pairs)
June, 1933	—	not available	
July, 1932	72	20,438,000	

The Rails Come Back

By JOSEPH STAGG LAWRENCE

Editor, THE ECONOSTAT

DURING the last decade it has become the fixed habit of amateur seers to seize every unfavorable omen as the certain sign of early taps for the American railroad system. Assuredly no industry has been subjected to last rites so often. These frequent false starts for the economic mortician have been due to an exaggeration of superficial signs and a failure to appreciate the solidity of the foundation upon which the carriers rest. The superficial threats to rail longevity have been their competitors: automobile, pipe line, airplane, and subsidized water route.

With the exception of the pipe line and the water route these competitors have been spectacular. From the standpoint of public judgment regarding the future of transportation they have touched constantly and visibly the daily life of the individual. To the evidence of the citizen's eyes must be added the impressive curves of increased motor registrations and steeply rising airplane traffic.

The public in general has failed to appreciate the extraordinary efficiency of the railroad in the transportation of bulk freight. It operates with the cheapest of all fuel, soft coal, and moves over a highway on which gravitation, friction, and delay have been reduced to a minimum. It is enough to say that the average rail carrier in 1930 was able to move a ton of freight a thousand miles for \$10.74. Point out any competitor or combination of competitors who can offer safe and expeditious delivery from the end of one year to the end of another at such a rate.

The fear of competition expressed by the lay public is due largely to the real inroads made upon certain types of traffic: passenger, miscellaneous, short haul, and special freight, such as oil. Curiously enough, this traffic, with the possible exception of oil, is precisely the sort with which the average railroad management should be happy to part. Consider the case for passenger traffic where the automobile and airplane have made the most devastating inroads. We

shall use round numbers. In 1920, 1,270,000,000 passengers were carried by the railroads yielding a gross revenue of \$1,305,000,000. The average passenger train carried 80 persons. In 1930, 708,000,000 passengers traveled on our railroads and paid a gross revenue of \$731,000,000. Instead of 80 persons the average passenger train carried but 49. Although this seems to confirm

our worst fears, the fact is that passenger traffic provides but a small part of the average railroad's total revenue. For every dollar of passenger revenue received by a carrier in 1930, it collected \$5.66 in freight revenue.

Generalizations have their pitfalls and this is particularly true in discussing the importance of passenger traffic. It may be substantial for a carrier like the Pennsylvania, but insignificant for the Nickel Plate. The fact is that our railroads would be much better off if, as a whole, they carried no passengers at all. Consider the figures: In 1931 the passenger business yielded a gross operating revenue including mail, express, milk, excess baggage, sleeping, parlor and chair cars, and miscellaneous, amounting to \$825,000,000. The operating expenses attributable directly to the passenger service aggregated \$917,000,000, showing a loss of \$92,000,000. On the other hand, the revenue from freight in the same year amounted to \$3,346,000,000 and the expenses to \$2,303,000,000, showing a profit from freight operation of \$1,043,000,000. The analysis fails to do the situation full justice. The most expensive equipment, the costliest terminals, and the finest roadbeds are all dictated by the fastidious requirements of the passenger service. Again, speaking of the railroads as a whole, they could well afford to contribute to the subsidy which the Government pays directly to the airplane carriers, and indirectly to our busses through free highways, if the latter would take passenger traffic *entirely* off their hands.

It is generally overlooked that the automobile truck is largely the successor to the delivery wagon. In the field of freight traffic the automobile truck has a definite advantage, in hauling high value miscellaneous freight over short distances where the convenience of door-to-door delivery and immediate service are important. By the same token this is precisely the traffic which is least remunerative to the railroads. The extent to which the rail carriers still retain their hold on the

movement of freight masses is demonstrated by the table on this page. The roads are ideally equipped for mass transportation, which means the shipment of large quantities of freight long distances. The extra handling, the special storage facilities, the multitudinous freight bills, the litigation growing out of reparation claims, all exact a cost in rail effort which is not adequately

COMMERCIAL FREIGHT TRAFFIC
IN THE UNITED STATES IN 1930

	Ton Miles	Per Cent
Steam railroads	385,815,000,000	84.1
Pipe lines	31,729,000,000	6.9
Inland waterways (Canals and rivers)	9,088,000,000	2.0
Motor trucks (Interurban movement) ..	31,352,000,000	6.8
Electric railways and airplanes	1,039,000,000	0.2
Total	459,023,000,000	100.0

met by the charges for the light, small shipments. It is as though the Ford plant, superbly equipped to turn out large numbers of uniform cars, were to devote a part of this productive energy to the output of "individualized" cars with special gadgets and color combinations to express the "personality" of the buyer. The two things, mass production and specialized service, are not compatible. For this reason the losses sustained by the carriers in the field of passenger service, and in short haul and less than carload freight, will prove to be gains in the end.

From the standpoint of desirable traffic, i.e., traffic the loss of which is definitely injurious to railway prosperity, the only serious progress is that due to the construction of pipe lines and the location of power plants near coal mines. Even here there is some compensation since the construction of pipe lines itself involves the movement of enormous quantities of materials, even as the production of another rival of the railroad, the automobile, provides traffic. To a lesser extent the same is true of power plants. In so far as a sustained volume of profitable traffic is concerned, our rail carriers face a future just as bright as the past.

The investor has been unnecessarily alarmed about railway securities, partly on account of the foregoing apparent threats to railway prosperity, and partly on account of the exaggerated over-capitalization of the carriers. The latter impression has been strengthened by utterance of authority in the highest places. Chief Coördinator Joseph B. Eastman in a well "pressed" lecture to rail executives called attention to the excessive debt structure of the railroads. "They are laboring under a heavy burden of debt, and that is a fact which must be considered in connection with the national railroad policy for the future. It can not be overlooked or minimized. It has a most vital bearing on the question of the ability of the railroads to raise the capital funds which they will most certainly need. In short, it is a factor of the greatest consequence in considering recommendations for further legislation." This statement applies a well-known fault of some carriers to the entire system. It holds true for the Frisco, the St. Paul, the Wabash, the Seaboard, and others. For the system as a whole it does not apply.

STATEMENTS of the Class 1 carriers show a total value of railroad property amounting to \$25,665,836,339. Mortgage bonds on this property are equal to 31.8 per cent of the total value. If we add other funded debt, the fixed claims rise to 41.8 per cent of the total. The question that many readers will ask is the question that the elder LaFollette raised in 1913 when he demanded that an independent appraisal under the direction of the Interstate Commerce Commission be made. He was convinced that the capital structure of the railroads was saturated with water. To reveal more completely the deep villainy of the rails, the Bureau of Valuation of the I. C. C. was instructed to determine the original cost of the railway property and also the cost of reproduction. This stupendous task of valuation has been going on for twenty years. It has cost the railroads \$145,880,912 and the government \$44,773,000. The doughty old Wisconsin liberal who formulated the valuation act must have turned in his grave as he listened to Mr. Eastman, another advanced student of transportation, and speaking for the Interstate Commerce Commission, testify this spring before a

Senate committee that the railroads showed an original cost of \$26,467,567,139 and a cost of reproduction of \$31,834,664,028, both figures exceeding that of the carriers. On the basis of the latter figures the present total debt of the railroads amounts to 33.72 per cent of their aggregate value. The carriers as a whole are exuberantly solvent.

How have the rails responded to the New Deal? On the legislative side one of the three history-making acts signed by the President on June 16 was the Emergency Railroad Transportation Act. This divides the country into three sections and provides for the selection of a committee consisting of five regular and two special members for each section. Briefly, these committees are to work out methods to eliminate competitive wastes—such as duplicate passenger train service between identical terminals—to promote the financial reorganization of carriers in need of it, and to provide for the study of other means of "improving conditions surrounding transportation in all its forms". This means equalization of competitive conditions for rails, motor transport, pipe lines, waterways, and airplanes. The act amends the Transportation Act of 1920. It provides for the regulation of holding companies by the I. C. C., the repeal of the recapture clause, and the substitution of a new theory of rate-making which to date has defied all analysis.

The chief usher for this new railway dawn is Joseph B. Eastman, the hard working member of the I. C. C. He has already signalized his new responsibility, first, by affecting a rapprochement between railway management and labor over the existing wage scales; secondly, by reading a lecture to rail executives on exorbitant salaries; and finally, by appealing to the railroads to employ more high priced labor, thus increasing, at their expense, the national purchasing power and promoting recovery.

There is some feeling among rail leaders that Mr. Eastman has exceeded his authority in these matters and that the connection, for example, between rail recovery and a reduction in executive salaries is not clear. It seems to them that he is actuated less by the letter and spirit of the law than by a desire, thoroughly sincere, to promote a re-distribution of rail income. The following items of railway expenditure should be considered in the light of the Eastman exhortations.

IMPORTANT ITEMS OF RAILWAY EXPENDITURES EXPRESSED IN CENTS PER DOLLAR OF GROSS REVENUE

Items	1929	1930	1931	1932
Labor (salaries and wages) . . .	42.6	44.8	46.9	46.0
Materials, supplies, miscellaneous	18.1	18.0	17.8	17.2
Taxes	6.3	6.6	7.3	8.8
Net railway operating income . .	19.9	16.5	12.5	10.4

While taxes and wage payments have gone up, purchase of materials and net income have declined.

In spite of the inherent hostility of the new deal philosophy to established property rights, the railroads are emerging from the depression with exceptional credit and high in the favor of the investing public. The net income of Class 1 roads in June was 383.4 per cent above that of June, 1932. For the first six months of the year operating profits are 39.5 per cent ahead of the same period last year. Investment-wise, the New York *Herald Tribune* composite average of 30 rails on August 3 was 40.17, as compared with 20 a year ago. The average of 70 industrials was 124.81 against 108.51. The rails are again heading for blue chip classification.

Has Hitler Scored?

BERLIN is six thousand miles away from the heart of America. Hitler's mistakes jump that distance readily. But there is another side of the story—a German New Deal, not so widely known.

By ROGER SHAW

HITLER HAS recently announced that his favorite historical figure is Oliver Cromwell. Cromwell was a military dictator, puritanical, and a believer in direct action. He was a despiser of parliaments. In all these particulars his twentieth-century admirer has, to date, followed in his footsteps. It is no great leap from Iron Sides to Brown Shirts.

But Hitler's closest parallel is another seventeenth-century character, the famous Cardinal Richelieu of France. Richelieu and Hitler, with three hundred years between them, have performed the same service—that of bringing about an integral national unity. The fact that France achieved this integration so far in advance of the Reich has served to give her a decided "edge" in all her dealings with her neighbor across old Father Rhine.

Richelieu found France split up into semi-independent states such as Gascony, Picardy, Brittany, Normandy, and Provence. The states were governed by great nobles under the wreck of the feudal system, and the pitiful kings at Paris had little power. Centralization became the Cardinal's motto, and he proceeded to rob the local grandees of their rights and powers. In this he was backed by the new money-making bourgeoisie. The nobles turned into servile courtiers; French patriotism began to supplant feudal and local loyalties; and an absolute monarchy centering at Paris, with its tentacles extending to every part of the kingdom, became the *status quo*.

In Germany such an achievement never came about, and the local potentates retained their powers under all sorts of régimes. When Bismarck finally united the states in 1871 in his new German Empire, he was obliged to grant the widest states' rights. Some states retained control of their railways, others of their postage stamps; Bavarian soldiers wore sky-blue, and state ambassadors were even maintained in foreign countries. The Swabians were said to be stupid, the Prussians inhumanly stiff, the Bavarians were called wild men, and so on. With the German revolution of 1918, attempts were made to remedy this, but without much success.



From *Notenkraaker* (Amsterdam)

HITLER expresses his wishes to the Centre Catholic party of Germany

Then came Hitler in 1933. Von Papen had made the Prussian state government subservient to the Reich central government the year previous, and Hitler intensified this move. He then proceeded to the lesser states. Bavaria in particular, and Baden, had defied the Reich government to suppress their privileges. Their protests availed them little. Each state received its *Statthalter*, or caretaker-viceroy, appointed by Hitler from Berlin. In each case the *Statthalter* was a local Nazi of good standing in his community. Goering got Prussia, Von Epp took over Bavaria, and so the process continued. In Bavaria the state government defied Hitler; but the populace, ungratefully perhaps, received their Hitler viceroy with enthusiastic acclaim.

These *Statthalters* govern largely by edict, and warfare between political parties is at an end since the only party left is that of the Nazis. In time the state parliaments will probably be abolished, leaving the inconsequential Reichstag at Berlin to approve the decrees of Handsome Adolf. Saxons, Swabs, and Hamburgers there are no more, in the historic sense. There are only Germans, and race-pure Germans at that. There is also Austria (more German than Prussia) which may possibly be merged with the whole at no far-off date.

Hitler is not only the avowed foe of Socialists and Communists, but of collective *Marxismus*. He is not a snob, for he opposes monarchy and is no friend to the bemonocled Junkers of Prussia and Mecklenburg. Having suppressed the Communist party, he turned against the Steel Helmets and the Nationalist party (both monarchist), and they too have been dissolved. He has no love for the reactionary Junker Generals who head the professional Reichswehr of 100,000 twelve-year field-grays. To Hitler, Courts and Kremlins are equally abominable. He and his followers are typically of the middle-class—strict, Spartan, conscientious—similar to the unswerving Puritans and to the French Jacobins of 1793. Goebbels, in particular, Hitler's propagandist-in-chief, has been compared to the great Saint-Just. The comparison might well be extended to our own William Lloyd Garrison.

The Nazi is strictly mid-Victorian. Hitler dislikes night clubs, sexy psycho-analysis, jazz music, Marxism, loose stage productions, nude cults, extreme bathing suits, atheism, excessive birth-control, "anaemic" pacifists. He has harried the nudists back into their panties, has closed homosexual speakeasies, diverted the movies from bedroom to battlefield, has scoffed at saxophonists from below the Mason-Dixon line. To those familiar with conditions in post-war Berlin, many of these attitudes are highly salutary—for Europe's second city had become "wide-open" as Paris never thought of being. It seems that German efficiency exceeded the French even in the risqué. Jews generally lead in every modernistic movement: in art, in medicine, in economics, in theatricals. Here is a contributing cause to Hitler's anti-semitism. He is distinctly a municipal "clean-up man".

Hitler believes, furthermore, that the forgotten man is better off under absolutism than under liberalism. He reasons that under liberalism and economic *laissez-faire*, every capitalist is at liberty to run his own business without governmental interference—at the expense of his employees. Under absolute monarchy or modern dictatorship, on the other hand, business is forced by the Government to inaugurate social and economic reforms—whether the capitalist likes it or not. The employer has no right to demand non-interference. He claims that Germany has been dominated by unscrupulous Jewish bankers and industrialists since the last of the Kaisers and the eclipse of General Ludendorff (brightest military mind in Europe) in 1918.

Thus so-called freedom grinds down the worker, according to Hitler, while an iron-clad dictatorship protects his welfare. The Jews, he continues, held an exorbitant number of public posts after 1918—in hospitals, as judges and police chiefs, as parliamentarians and officials, as university professors, lawyers, and doctors, as patrons of the Black Bourse, as war profiteers, and stock manipulators. He says that they profited by the terrible inflation of 1923—which wiped out the middle-class who are Hitler's most loyal followers. Hitlerites always call the Weimar republic the "Jewish republic".

The methods of the Hitler revolution were frankly copied from Fascist Italy; and Italy in turn had imitated Russia in all her Fascist technique. But the Russian and Italian revolutions cost thousands of lives, accompanied by reigns of terror, red and black. The Nazi revolution, except in a few isolated cases, has cost jobs instead; and although jobs are now most desirable, it must be conceded that lives are more vital to those immediately concerned. This is the more remarkable since Nazi fanaticism has, to date, far exceeded that of

the Soviets and Fascists. Hitler is decidedly *not* a killer, despite some very flamboyant speech-making. The Hitler revolution, along with that of Spain in 1931, ranks as the most orderly in history. Credit where credit is due.

Your true imperialist is after anything he can get his hands on, but Hitler, with his pronounced racial theories, demands only that which is German. Since her World War defeat, German pride has sunk to a low ebb—and it is this spirit of defeatism that Hitler has combatted unceasingly. Once more the Reich lifted up her head as a great power, on equal terms with other nations; and the more insistent of the ex-Allies realize that their post-war activity is over. Hitler is a builder of national morale, and numerous letters read by the writer (coming from all classes of Germans) confirm this statement. The little man with the Charlie Chaplin mustache is attempting a Reformation and a Renaissance rolled into one.

A German monarchist newspaper lately published an attack on the Italian flyer, Balbo. The paper was promptly suppressed for three months, and the editor was sent to a detention camp along with the Communists. (The German monarchists do not care for Italy.) Hitler announced that this was the fate of those seeking to stir up bad relations with foreign countries—an unusual form of censorship and a worthy one. This dictator does not hate France and Poland because they are French and Polish. He hates, first, the humiliating terms of the Versailles peace

of 1919, and, secondarily, those who rigidly uphold its provisions. He has even flouted and irritated the Soviets (whose modernism he detests), while the aristocratic Reichswehr Generals have consistently befriended Russia, since they counted on Soviet assistance in case of another big-scale war.

Hitler's greatest problem, of course, is the fate of the five or six million German unemployed. They are counting on him heavily (along with the spinster girls for whom he is attempting to obtain husbands). A cartoon from *Kladderadatsch* shows two desperate workmen sitting on a park bench in rags. Says one of them, a sturdy ex-soldier: "It was better than this in 1918, comrade. Then at least we had sure jobs!"

Another action of the Hitler government is of marked interest, and will prove productive of enthusiastic praise and of scathing criticism. This is a new law whereby defectives will meet with sterilization, making no distinction between the sexes. The law must be applied by police physicians, or by the directors of hospitals and insane asylums. Courts of appeal are, of course, provided for. Imbecility, insanity, epilepsy, St. Vitus dance, and acute alcoholism (*Continued on page 57*)



From *Kladderadatsch* (Berlin)

GERMANIA, supported by Hitler, travels hopefully into the future. This sentimental concept of Hitler's leadership, by a German artist, presents a viewpoint of which America hears little, the opinion of the German people themselves.

The Great "Wholesale" Hoax

By NATHAN M. OHRBACH

President of Ohrbach's Affiliated Stores, Inc., of New York and Newark.

RECENTLY, a young friend of mine who had been married but a short time, took me through the little house in the suburbs that he had just furnished from attic to cellar. With great pride he told me how his living room furniture had been bought, at a 40 per cent discount, from a furniture manufacturer. The piano and radio had been obtained through the manufacturers, also at a substantial discount. Rugs, linen, silverware, even some of the kitchen utensils had been bought at manufacturers' and wholesalers' showrooms. As a matter of fact, only a small portion of his household inventory had been purchased in retail stores.

He estimated that he had saved in the neighborhood of \$1,200 through the discounts he had been granted. Inasmuch as I do not pretend to be an expert appraiser of the value of the multitude of items that go into a home, I was not in a position to dispute his statement. Moreover, I saw no advantage to be gained, at that moment, in blasting his rosy dreams.

However, if my knowledge of practices in the marketing of those articles of merchandise with which I am more familiar is any guide, it is more than likely that my young friend made little or no savings through his energetic buying "at wholesale". On top of that, if his electric piano, or his radio, or his electric refrigerator—to mention merely a few fixtures in his home—should develop mechanical trouble, he will find that his mythical savings will become an actual expense in the form of charges for service that would otherwise have been rendered gratis by the retailer.

In brief, my young friend was the victim of what is undoubtedly the great American hoax—buying by the general public in wholesale showrooms at what are purported to be wholesale prices. Men are not the only gullible individuals. While the sterner sex likes to buy the so-called "heavy" items such as furniture in this manner, women, in even larger numbers, purchase various items of wearing apparel, linens, etc., in the same way. And, with equal frequency, they either pay more than they would in a retail store, or they come out at the wrong end due to other causes that I shall discuss later.

Beyond dispute, there is a tremendous appeal to the privilege of buying at wholesale. Even when the public's pocketbook was well-filled, the lure was strong. Today, it is stronger than ever. As a consequence, there are few items of merchandise which cannot be bought, by the general public, direct from the manufacturer or from the wholesaler. It is merely necessary

to know someone connected with the manufacturing or wholesale establishment, or to "know someone who knows someone". Hundreds of millions of dollars worth of merchandise are bought annually in this fashion.

It would be obviously misleading to declare that savings and ultimate satisfaction are *never* obtained when one buys "wholesale". Yet, if the stories told to me by hundreds of manufacturers are true—and there was no reason for their volunteering false information—the public using this method of buying is being victimized on an enormous scale.

LET US FIRST examine this grand hoax as it exists in the field which I know best—women's and children's ready to wear. I know of a number of manufacturing establishments in this field that derive the major part of their income from this type of trade. In other words, these companies have developed various plans which have enabled them to induce large numbers of women to visit their showrooms and buy various items of wearing apparel. One of the plans operates along the following lines:

In New York City there are thousands of retail outlets which are known as "apartment stores". As the term indicates, these are stores consisting of one room in an apartment. A half dozen or so garments are kept in stock. When a woman drops into one of these apartment stores and is unable to find the garment for which she is looking, which is what usually happens, she is invited by the merchant to visit wholesale showrooms with him. She is assured that she will pay strictly the wholesale price, plus a very small commission for the merchant's services.

The wholesale showrooms to which she is taken have previously made arrangements with the apartment store owner under which they will sell to women whom he brings in at the regular retail—not wholesale—price. Moreover, on top of the regular retail price, the woman pays a commission to the apartment store owner. Consequently, the garment costs her more than it would in most shops.

That would be bad enough. But that is not all. In addition to overpaying, the service the woman gets is inferior to that which is given in any well-run retail store. She is made to feel that a huge favor has been granted. As a result, she either is deliberately rushed into a purchase, or she feels constrained to buy with as little delay as possible.

Then, the selection that is available cannot begin to

compare with the selection that is on display in well-equipped retail stores. A manufacturer makes only a limited number of models and, naturally, in his showrooms he stocks only his own garments. A retailer stocks the models made by a large group of manufacturers.

Finally, there is the matter of returns. A soundly operated retail store, while it does not encourage wantonly wasteful returns, accepts all returns that are legitimate. When one buys "at wholesale" it is usually impossible to make returns even though the item is completely unsatisfactory.

In the furniture field, the wholesale hoax has been developed on a huge scale. There are some retail furniture stores in which one must almost put up a fight to make a purchase off the floor. The reason for this lack of desire on the part of the store owners to sell in their own establishments is that they can make larger profits by taking buyers to wholesale establishments! In addition, there are individuals and small organizations that act as "scouts" for wholesale organizations. They get a handsome commission for every customer they bring in, the wholesale establishment makes huge profits and the buyer overpays.

NOT LONG AGO, a friend of mine walked into a furniture store to buy an occasional piece. Much to his amazement, the salesman took him to one side and said: "Don't buy that chair here. Take this card to the Welmade Chair Company, who make it, and they'll give it to you at the wholesale price."

"But how do you benefit?" my friend asked.

"Oh, I get a small commission," was the answer, "but you'll still get the chair for 30 per cent less than you would pay in this store."

It happened that this man knows something about the construction of furniture and he determined to follow through with the little adventure. He visited the Welmade Chair Company and was shown their stock. Included in the small group was the chair he had seen at the retail store, and the price, true enough, was approximately 30 per cent lower. But when he examined the chair the cheaper construction was promptly obvious.

If people, in general, were expert buyers, those who purchase at wholesale would not be victimized so frequently. But the fact of the matter is that the art of making shoddy merchandise has been developed to such a high degree that even expert buyers, individuals who are paid large salaries for their buying knowledge, frequently are misled. For example, not long ago, a group of store buyers were taken into a room where several score garments were on display, with the price tags removed. They were asked to note, individually, the price they would pay for each of the garments. The variance in the figures paid eloquent testimony to the inability of even expert buyers to determine sound values. Under these circumstances, how can the uninformed general public expect to buy "at wholesale" and know that exorbitant prices are not being charged?

Consider, for a moment, an item such as fur. It has frequently been said that there are few items in which the general public is less able to estimate values than in furs. A woman is told by an acquaintance that, by using the latter's name, she may visit a wholesale furrier and obtain for \$215 "exactly the same kind of Hudson Seal coat that is in Blank's windows marked

at \$275." That is a worth-while saving and the tip is acted upon. But when that woman walks into the wholesale furrier's salesroom she has absolutely no way of determining the real value of the coat she is shown. She doesn't know the quality of the skins that are used, the quality of the workmanship, etc. Even if she had the opportunity to take the coat and compare it, feature for feature, with the coat in Blank's window she could not decide upon its true value.

Yet thousands upon thousands of women bravely march into wholesale fur showrooms each year and walk out, gleefully, with coats or fur pieces which, they have been assured, cost them from 30 to 50 per cent less than similar garments in retail stores. A very small percentage of those women actually save money. But the large majority are over-charged. In fact, they are the "angels" of the fur industry. Without them, many manufacturing furriers could not remain in business.

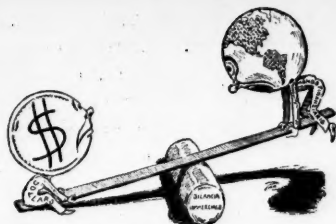
The buying public would do well to bear in mind that there are plenty of individuals in business at all times who are not only willing, but actually anxious, to take advantage of public ignorance and credulity. The common desire to buy "at wholesale" gives these individuals a wide open opportunity to fleece the public and they have not been slow to take advantage of it.

It reminds me of two rackets which, at one time, gained considerable prominence in New York and other cities. The first centered around truck drivers! These erstwhile salesmen would stop men on the street and, in a confidential whisper, mention that they had in their trucks a fur piece which could be purchased for the proverbial song. No matter how much the buyer beat down the price he always overpaid, because the furs were usually worthless. The second development was the "sale" of furniture by a "private family" that was leaving for the "West". Here, also, real bargains were seldom obtained. I know, in those days, of one individual who sold \$425 pianos at his apartment for \$145. His advertisements regularly announced that he was sailing for Europe and that all his furniture had been sold except the piano. He sold scores of duplicates of the piano and made a profit on each transaction because any retailer so poorly advised as to handle the same piano would mark it at \$95 and not lose money at that figure.

In other words, the general public, when it attempts to match wits with merchandise experts, seldom gets the better of the contest. And that is one of the fundamental reasons for the existence of the legitimate retailer. His function is to act as buying agent for his clientele. It is his job to know merchandise at least as well as those who make it. If he doesn't, he usually does not remain in business long. For this expert knowledge of merchandise, plus other services which he renders, the retailer charges a certain percentage over the price he pays for his stock. Until the public acquires that expert knowledge—a possibility that becomes more and more remote as the art of deception in manufacturing reaches new heights—it would do well to retain the buying services of the retailer.

The merchandise to which I have referred at greatest length in this discussion has been largely merchandise which does not require servicing once it reaches the consumer's home. With products that do require servicing, however, the dangers of buying through any channels other than the regular distributor are greatly multiplied.

(Continued on page 56)



THE WORLD OF FINANCE
"That is enough, friend. This see-sawing makes me ill, I can't go on."

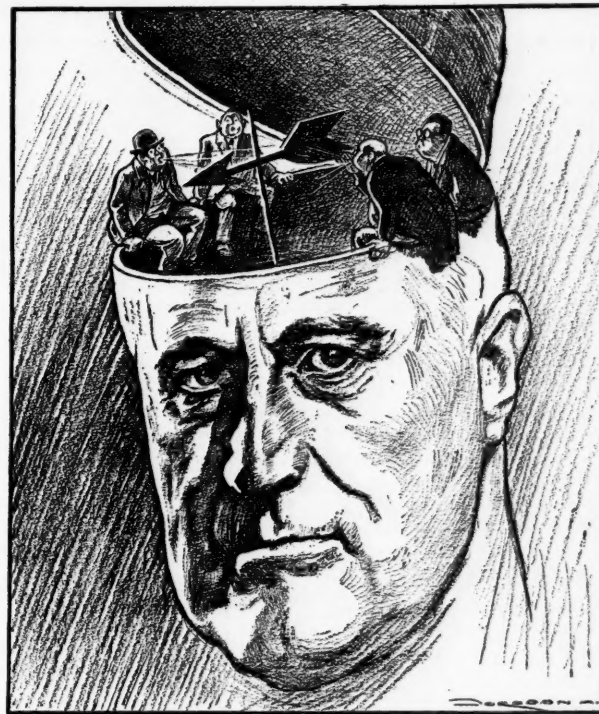
From 11 420 (Florence, Italy)

Foreign Viewpoints in the Cartoons



From *Simplicissimus* (Munich)

REDUCING war industry means building up world trade



From *De Groene Amsterdammer* (Amsterdam)

ROOSEVELT, the irresolute, or the secret of the "Brain Trust"



From the *London Express*

"FOR SHE IS THE BELLE OF NEW YORK, THE SUBJECT OF ALL THE GOLD TALK"



From *Simplicissimus* (Munich)

CHURCH AND POLITICS
"Make an end to this—I myself am neutral—why should my servants dabble in politics?"



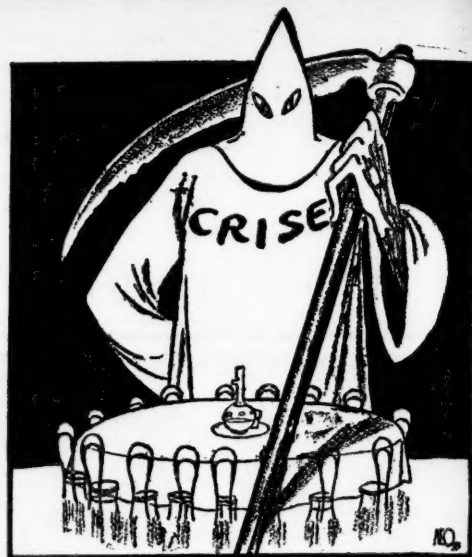
LITTLE FROG: "Maybe you can make yourself bigger, but remember what happened to the other fellow who tried it."

From the *Glasgow Record*



From the *London Express*

THE GERMAN REVOLUTION IS OVER—OFFICIALLY
HITLER: "Don't take the iron swastika out of my glove, Herr Second—I'm not sure the fellow's dead yet."



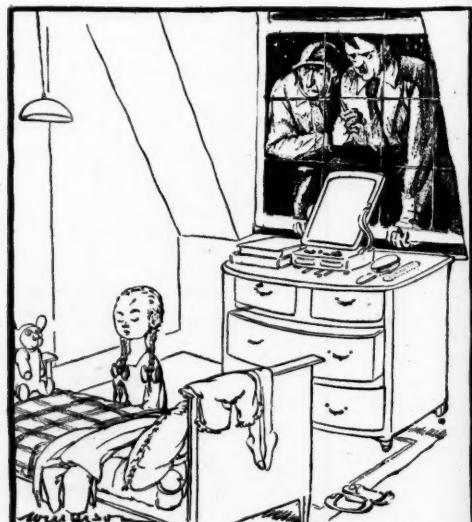
From *Leningradskaja Pravda* (Leningrad)

THE CRISIS, the first arrival at the London Economic Conference has not yet departed.



'THE SITUATION IS WELL IN HAND'

From the *London Express*



From the *London Herald*

"GOTT in himmel, Adolf, how do we know what she is praying for?"

The March of Events

July 17 to August 9

Toward Recovery

Blanket-code for business . . .
Banks rally to the cause . . .
Strike mediators.

PRESIDENT ROOSEVELT issues (July 20) a blanket-code to raise wages and shorten hours in all industries while the codes of individual industries are being considered by the Recovery Administration. A direct and voluntary agreement between every employer and the President, the blanket-code is to be spread broadcast over the country in order to speed up the recovery program in an attempt to reemploy 6,000,000 workers by Labor Day.

A NATION-WIDE radio broadcast by the President (July 24) opens the national reemployment drive. Immediately after his plea that the employers of the country subscribe whole-heartedly to the blanket-code, the White House is deluged with messages pledging support to the Administration's efforts.

ELEVEN NEW YORK BANKS, with combined resources of billions of dollars, advise General Hugh S. Johnson, Recovery Administrator, (July 29) that they will aid the administration program by extending further commercial credit to finance production and distribution of raw materials and manufactures. Their statement says the objectives of the recovery program "justify all the support that can be given to them by the banks."

A GIGANTIC PART of the Government's public works program gets under way (August 3) as the Navy Department awards contracts to build thirty-seven new ships. The contracts—calling for the expenditure of \$130,000,000—are expected to result in the direct employment of 19,000 men, and the indirect employment of 74,000 additional workers in allied industries.

IN AN ATTEMPT to end strikes and lock-outs during formation of the various industrial codes, President Roosevelt appeals to the country (August 5) to support a newly formed board of seven labor and industrial leaders who will rule on all labor disputes. From the home of his mother at Hyde Park, New York, where he had gone (July 28) for a vacation, the Executive had been receiving reports of local strikes in industries, notably coal and textiles, in various parts of the country.



By Talburt, in the New York World Telegram
Another Hand in the New Deal

Economics at Home

Stocks decline . . . The Government helps peg grain prices . . . N. Y. Exchange uses self-discipline.

A SERIOUS BREAK in prices on the country's stock exchanges (July 19) continues its drastic course for four days before prices hit bottom (July 22) and then level off at a figure corresponding to the average price in early June. Low point of the drop finds the average stock selling for sixteen points less than at the high point five days earlier.

SECRETARY OF AGRICULTURE WALLACE approves (July 22) a program to halt the break in commodity prices as suggested to him by the Chicago Board of Trade. Dismayed by the preceding week's steady decline in grain prices, until then gradually convalescing from depression lows, the program denies traders the right to buy or sell at prices below those of July 20. The order is equivalent to guaranteeing a price of 90 cents a bushel for the present wheat crop. At the same time, fluctuations in wheat prices are limited to 5 cents in any one day.

A TREASURY offering of \$850,000,000 in United States Government bonds and notes (July 31) is many times oversubscribed immediately.

SPECULATION on the New York Stock Exchange is the subject of strict regulation (August 2) by the Exchange's Board of Governors. Margin requirements are specifically raised, and all

information as to pools, syndicates, joint accounts, and options must be given to the Board of Governors weekly by Exchange members, and by registered firms. Operations of "customers men" are limited, both as to times when they may seek business, and the methods they may use in doing so.

Economics Abroad

Proposed tariff truce . . . Silver agreement . . . The Conference recesses.

"THE AMERICAN policy will in general seek to further international commerce to the fullest possible extent compatible with the essential aims of this program", Secretary of State Hull tells the World Economic Conference (July 21), in presenting a plan for an international tariff truce. He offers the plan at one of the closing sessions of the Economic Conference, and suggests that it be considered by individual nations during the recess. It calls for a future truce stricter than that in effect during the Conference, and immediate attempts to reduce tariff barriers by means of bilateral and multilateral treaties.

DESCRIBED by members of the Economic Conference as that body's first definite success, eight nations, led by the United States, sign an agreement (July 22) regarding the international use of, and commerce in, silver. India, China, and Spain—as the great silver-owning countries—agree not to dump their holdings in the world markets. At the same time the chief silver-producing nations—Australia, Canada, the United States, Mexico, and Peru—agree to restrict output and to absorb an increased amount of the domestic production.

A MEETING of the directors of the Bank for International Settlements (July 24) ends with members splitting into three separate camps on the matter of national monetary policy, and an adjournment is taken until the time when what they call the American monetary "experiment" shall have been fully tried. The three opposing groups are: the gold bloc, led by France; the sterling bloc, led by Great Britain; and a debtor group, composed of Germany and Central European countries, which claims that their internal finances can not be untangled until the currency problems arising between the gold and non-gold blocs are ironed out.

Continued on page 62



THIRTY-FIVE MILES by automobile from the center of New York is Jones Beach State Park. This airview shows a stretch of ocean beach, the mall, buildings containing eating pavilions, beach shop and administration headquarters. The obelisk is a water tower 200 feet high which holds 30,000 gallons of fresh well water. In the background are 64 acres of concrete parking space, for 12,000 cars.

Playground for a Motor Age

ATALE of civic achievement that almost passes belief in these days is the transformation of Long Island into a vast playground.

Having said that much, it is best to pause and explain for those at a distance that Long Island—quite suitably named—pokes its blunt western nose right into New York City. In fact, that nose is Brooklyn, once the fourth largest city in the United States, now submerged as part of Greater New York but far out-distancing Manhattan itself as the most populous of the five boroughs.

Beyond Brooklyn, toward the rising sun, is a zone where we find summer homes of the very wealthy (J. P. Morgan for example) and the all-year-round homes of some moderately well-to-do New York business men. The very wealthy live on the north shore, which has rolling ground, and many small inlets that are called "harbors" and afford anchorage for yachts palatial as well as puny. The moderately well-to-do live inland, in delightful suburban communities only one of which is legally entitled to use the name Garden City.

But the south shore of Long Island, hardly ever more than ten miles away from the north shore, is largely a region where Nature ran short of trees and grass but was bountiful instead with sand that has been washed clean and almost white by rolling waves through thousands of years.

The nearest of these beaches that mark Long Island's south shore is the famous

Coney Island, easily accessible to the New York City masses for a five-cent subway fare. Beyond that lie Brighton Beach, Manhattan Beach, Rockaway Beach, all within the expanded city's limits. Still farther to the east is Long Beach, only slightly aristocratic and that largely because it costs a dollar or so to journey there and back by railroad from the city. The large families of the East Side, and of Harlem and the Bronx, know surf bathing at Coney Island but not at Long Beach.

All these beaches are accessible only by crossing creeks, or bays of shallow water, or marsh land, sometimes several miles wide. They are, indeed, a chain of sand bars each wholly or nearly surrounded by water. Long Beach, rangy and wholesome, and minus the excessive humanity of nearer beaches, was until recent years not easy to get to from New York by automobile; for Long Island highways were narrow, traffic-jammed, not sufficiently near the water, and above all were profusely sprinkled with small towns.

So much by way of explanation, of painting the background for this story of civic achievement. Out beyond the farthestmost of these beaches—which were developed through the years largely by private initiative—the State of New York has performed a modern miracle. Some five or six years ago the story begins, when the state acquired an inaccessible sandbar perhaps thirty-five miles from the heart of the city, and began

to develop both the sandbar and new highways leading to it.

This remote sandbar was called Jones Beach, and still is. It has been developed purely for this automobile age, for there is no other way to get there than by motor. But you drive, not on highways that run through villages and towns, but along an exclusive right-of-way parked and landscaped on each side. There are no highway crossings, and therefore no traffic lights. Instead, the various crossroads are underpassed or overpassed by means of attractive bridges. The engineer's idea of a straightline highway is replaced by the landscape architect's parkway that rejoices in sweeping curves and rolling ground.

THIS is the Southern State Parkway, which leads eastward from the city's limits—the "long" way of Long Island—until it reaches a point relatively as far out as Jones Beach. Thence it extends southward along a causeway, especially constructed, that crosses many small islands and channels until it reaches the outer bar itself. This is the Atlantic Ocean. At Jones Beach the state has built immense bathing pavilions and set aside even larger parking spaces (out of sight) for automobiles. Architectural and landscaping good taste is in evidence everywhere, but managerial genius easily wins the major share of applause.

A modest parking fee for automobiles pays all the expenses and leaves some profit even after interest and amortiza-

tion of the cost of parkway and beach. There is also income from concessions, such as eating places and bath houses. Roller-coasters, freak shows, dance halls, and such, are tabu. Most people bring their own "eats" and their beach chairs, and many of them motor down in bathing-suit regalia.

So popular has Long Island motoring and bathing become that the state is ever doubling and redoubling its facilities at Jones Beach, and establishing new recreation centers elsewhere. These other state parks are mostly in Nassau County; but they extend also into Suffolk County, notably one at fascinating Montauk Point where one looks off toward Europe without land in sight except that behind his own back.

In July the first section of Northern State Parkway was opened, suggesting possibilities for the sound shore of Long Island equal to miracles performed on the ocean shore. Northern and Southern State Parkways, incidentally, are seldom as much as five miles apart. But on the sound shore the water is quiet; the beach is rocky and pebbly, rather than sandy.

The visitor to New York nowadays asks his host to take him, not to Coney Island as of old, but to majestic Jones Beach. Give all credit to the automobile; for gasoline taxes built the parkway, and parking fees pay for the playground.

To Venice By Motor

FOR CENTURIES wealth and glory have come to Venice from the sea. Tall-masted ships from distant ports dropped anchor below the Doge's palace, and from the riches they brought, merchants and princes built up a fairy city. Then trade deserted Venice and for centuries more she dreamed of the past and welcomed poets to perpetuate her dream. But modernism has invaded this last

stronghold of romance. A new bridge spanning the lagoons brings motor traffic from the Italian mainland to the very gates of the island city. Writes Arnaldo Cortesi of the project in the New York Times magazine:

Hitherto nobody has thought of present-day Venice except as a honeymooners' or an artists' paradise, a place of grace and beauty and history. Venetians have lived in complete isolation from the outside world—an isolation so perfect that it is said that many of them have never set eyes on a cow or a sheep in the flesh and would not even know what a horse looks like if they had not seen the bronze steeds which grace the façade of St. Mark's Cathedral and the equestrian statues of a few medieval condottieri.

But the need for rapid means of communication with the mainland became so widely felt that the idea of a new bridge triumphed over all opposition. Venice has at last been linked to the vast network of highways which covers all Europe. The city in the sea can be reached by a motorist from Paris, or anywhere else on the Continent, without his descending from his car. And the bridge will serve not only the tourist. Above all, perhaps, it will be used by those Venetians who have to go for work or business to Marghera—the new port—or Mestre.

The new bridge is an invader hardly more than the railway which preceded it so long ago. It scarcely enters the city. Nothing of it can be seen from those quiet inner canals; and the stretch of it that crosses the Grand Canal is hidden from the Venice of ancient glories by the bend which the Grand Canal itself makes near the railway station.

Motor cars, like the trains, come only to the gates of the city. Near the bridgehead has been constructed a garage capable of housing 2000 cars. There the motor traffic must stop. We shall never see a motor car in St. Mark's Square. And for a very good reason. There is

not in all Venice a street wide enough to permit the passage of a motor car.

Arlington National Cemetery

THE FORMAL entrance at the east gate of Arlington National Cemetery in Virginia has been completed. Set in the hillside it forms the climax of Memorial Avenue which connects Arlington Bridge with the cemetery grounds. Within the cemetery, highways have already been built to connect with this entrance, and walks and drives will lead to the Tomb of the Unknown Soldier, the Arlington Memorial Amphitheater, and the Arlington Mansion.

Arlington Bridge, which spans the Potomac River between Washington and Virginia, extends from the Lincoln Memorial to Memorial Avenue, a broad, landscaped parkway more than 2000 feet long. On the Washington side of the river the Arlington Bridge composition includes the great plaza adjoining the Lincoln Memorial, a sea wall for Riverside Drive leading up to the memorial, and a water gate nearby with wide granite steps.

Formerly processions to Arlington Cemetery have passed through narrow, busy streets, blocking traffic and causing annoyance rather than inspiring respect for the illustrious dead. With the widening of Constitution Avenue from the Capitol, as a part of the bridge project, such processions may now pass entirely along handsome avenues and park drives. At the cemetery they will enter through a formal gateway in keeping with the dignity of the occasion.

The need for a bridge and approach to the cemetery was most urgently felt on Armistice Day in 1921, when the remains of the Unknown Soldier were entombed at Arlington. The following year Congress made the appropriation.



SEVERAL MILES of beach for ocean bathing, a still water area more than 3000 feet long, swimming and wading pools, board walk, bath houses, game courts, and fishing dock—these are some of the features of New York's new playground. Above is the west bath house with capacity for 5400 bathers. It contains a swimming pool, tea balcony, and restaurant.

Hizzonor, the Mayor of New York

By ALVA JOHNSTON

From THE NEW YORKER

THE LAW of political contrast made John P. O'Brien Tammany's logical choice for mayor of New York. Tammany needed a man who was everything that Jimmy Walker was not. . . . The contrast between Walker and O'Brien was "1000 per cent", to borrow O'Brien's favorite phrase of emphasis. Each man possessed gifts which had been denied the other. Walker had a sense of humor, a clear head, wit, and tact; O'Brien abounded in diligence, piety, and good deportment.

To follow the contrast further, O'Brien is punctual. In fact, he is usually ahead of time. To O'Brien, an invitation to make a speech is a royal command. He never allows admirers, hand-shakers, and autograph fiends at one meeting to impede his progress to the next one. After making one speech, he simply lowers his head, charges for the front door, and speeds on his way to deliver the next speech. He is aided in this by his body-guard, Lieutenant Brannigan, the most competent man in the Police Department in shouldering his way through crowds. The Mayor's bodyguard is easy to identify. He is the man who starts the ovation when the Mayor enters a hall and leads the applause from time to time during the speech. A born applauder, Brannigan has hands like cymbals.

O'Brien's hustling, plunging campaign manner comes natural. Panting, hurrying, vibrating, he always gives the impression that he has just done the work of ten men and is about to do the work of ten more. As Surrogate, he used to crash into Haan's Restaurant, puffing and blowing; as Mayor, he steams into the Hardware Club at midday, out of breath but still able to carry on a short-winded monologue with his entourage. One of his critics called him the hardest-breathing man in public life. The Mayor, however, has never been sufficiently winded to stop talking. Like a locomotive, he puffs not from weakness but from surplus energy. He can always carry on three conversations at once and dominate them all. He is in excellent physical trim, and still struggles pluckily against his Falstaffian bulk, taking regular trotting exercises in a gym suit weighted with religious medals.

The thousand-per-cent difference between Walker and O'Brien appears in their general mood and temper. Walker was a realistic opportunist. O'Brien is an illusionistic optimist. He sees things through a rainbow-tinted looking-glass.

His comment on his own nomination last fall was an example of this. Thirty thousand delegates at Madison Square Garden had dropped Walker and switched to O'Brien at a word from Tammany leader John F. Curry. O'Brien regarded this as vindication of our popular institutions.

"It was like a New England town meeting," he said. "It was marvelous to see the unanimity of those thirty thousand people." Later, he added, "I will ever be responsive to *vox populi* . . ."

O'Brien started on his campaign for Mayor with certain definite advantages. He has long been a specialist in the foreign-born department of politics and a professional friend of the immigrant and the sons and daughters of the immigrant. "We Irish, Italians, and Jews" was a phrase he used in one of his speeches. As a Celt among Anglo-Saxons, he claims to have suffered from race prejudice in his early days at Worcester, Massachusetts. His thirty-six years in Tammany made him an ardent admirer of all ethnological types, with the exception of certain swarthy and shiny lads from the Near East. He is like a middle-class, Middle-Western Republican Protestant Nordic in his distrust of the Armenians. In one of his speeches, he betrayed a belief that the national weakness of the Armenians is that of hurling American girls into rivers. O'Brien revealed this prejudice in an unguarded moment in his famous speech to the Negro women of the Witoka Bridge Club, at 222 West 145th Street, on the topic of keeping children in school.

"What bright minds kiddies have!" he said. "I recall several years ago when my wife and I took our children abroad, and we were in Paris, and one night at the Café Marguery we chanced to sit

at a table near where two American girls were dining with Armenian escorts. 'Perhaps we'll find their bodies in the Seine,' I said to my wife in the presence of the children, and thought no more about it. It was several weeks afterward that we were returning on a boat to the United States and we were all again at table in the dining saloon when one of my kiddies called her mother's attention to a table near ours where two young ladies were sitting. 'Oh, Mamma, Mamma, there they are now!' she cried. What bright minds the kiddies have! Keep them in school." . . .

MANY PUBLIC MEN have complained that they were the victims of inaccurate reporting in the newspapers. O'Brien, however, has been a martyr to accurate reporting. He is something of a burlesque figure today because some of the newspapers have cultivated a savage literalness in quoting him. . . . Unedited quotations from His Honor's genial streams of consciousness find their way into print, to the great distress of the Mayor's friends and of Tammany. For a long time, the Mayor bore these literal quotations gamely and claimed to be fond of the press. "Oh," he exclaimed, in one of his honest-hearted outbursts, "I would love to be



MAYOR O'BRIEN GREETING HIS ADMIRERS.

a newspaperman, because I love the classics and I love good literature."

On one occasion, however, a slight misunderstanding arose between the Mayor and the reporters at City Hall. After the resignation of Police Commissioner Mulrooney, the Mayor was asked if he had decided on the successor. "I haven't had any word on that" was the Mayor's reply as reported in the newspapers. This was embarrassing. It seemed to be a confession that the Mayor was not even consulted on appointments and that he knew nothing about them until he received word from Tammany Hall. The Mayor denied that he had been quoted correctly. He said that the word "had" had been inserted into his statement and that what he had really said was "I haven't any word on that." After that, a stenographer was called in to make sure that the Mayor was quoted fully and correctly. The shorthand man's first assignment was to report an oral statement by the Mayor regarding a transit conference. The Mayor's language was as follows:

"Briefly, I may omit some minor points that I referred to this morning, but briefly there was a discussion about the holders of the stock, the position of the stock with relation to the bonds, the future of the stock as to its value, the probable effects upon the stock by the disaffirming of the lease, the Manhattan lease. A number of people—the holdings represented by the committee about 11 or 12 per cent, I mean by this com-

mittee. The desirability of getting in a much increased number of security holders. This is on the part of the committee so that the views of the larger group might be learned. And the history of the stock and the trend from time to time. They show the same disposition, in other words, a spirit of willingness to coöperate, a willingness to meet the city's views and the city's interest. How far that will go of course will develop as we go along. After this discussion an adjournment was taken until April 24 at 11 o'clock."

In the Mayor's office, O'Brien has worked hard. He struggles gamely to master financial problems that would have baffled Hamilton. His dilemma is an agonizing one. Real economy is necessary to prevent an insurrection of Tammany contractors and office-holders. In trying to escape from this dilemma, the Mayor has won boos, hisses, and ridicule by his eccentric tax schemes. He deserves sympathy. The plight of the city is due to the extravagances and follies of the Walker and Hyland administrations, but O'Brien gets the blame for it. New York doesn't like him, doesn't like the way he walks and talks, doesn't like the way he dedicates, greets, bestows medals, lays cornerstones, unveils monuments, and pitches the first baseball of the season. He is not the type. It is doubtful that O'Brien could be elected this fall if the Republican or Fusion candidate is a shade less ridiculous than usual.

railway labor's fight against injunctions and was chief counsel in the Michaelson case in which the United States Supreme Court sustained the right of trial by jury in contempt cases. He was special counsel for the city of Chicago for twelve years while the city was at litigation with the Insulls and won notable victories there. He led the successful fight of union labor against the confirmation of Judge Wilkerson of Chicago, "Capone's nemesis," as a member of the United States Circuit Court of Appeals.

Mr. Richberg's father had a typical big-business clientele and NRA's general counsel started that way. But what from 1910 onward began to be known as Progressivism stirred early within him, and he wrote several novels attacking certain aspects of big business, politics and journalism. By the time Professor Charles E. Merriam made an anti-machine fight for Mayor of Chicago, Mr. Richberg, like his mentor, Secretary of the Interior Ickes, was hot for such fights. In addition to Mr. Ickes and the railway union leaders, the chief mental companions of Mr. Richberg have been Gifford Pinchot, Francis Heney and the elder La Follette. With Pinchot and Heney in 1913 he developed the idea of an Interstate Trade Commission which in the Wilson administration became the Federal Trade Commission. He then introduced the idea of "fair competition" as the model for such a commission. This same group also drafted a child-labor law, an anti-convict-labor law, anti-trust regulations and an hours-for-women law for the District of Columbia.

Mr. Richberg, especially in the last eight years, has appeared often before the national public. . . . Back in Chicago as counsel for a non-partisan committee against the Insulls, he obtained a value of \$85,000,000 for those properties instead of the \$140,000,000 set by the company. During the war Mr. Richberg was active in the Illinois State Council for Defense, and it was not until after the war in 1920 that rail unions began to consult him. He drafted the Railroad Labor Act of 1926 out of which arbitrations developed. In three years Mr. Richberg had gotten \$300,000,000 in wage increases for railway labor under the act. He has won five important labor cases in the Supreme Court, and the Senate did the unprecedented thing of asking the Supreme Court to permit him to intervene as a friend of the court in the famous O'Fallon valuation case. At the request of General Johnson, Mr. Richberg helped to write the labor provisions in the National Recovery Act and put into the act the new concept of "unfair competition" on labor. Previously this had applied solely to trade practices.

He believes that "the primary reason for industrial enterprise is to furnish a livelihood to workers." He called the 10 per cent railway pay-cut in 1931 a "crime." Opposing Eastern railway merger plans in August, 1930, he predicted that further consolidation of "the despotic power of those who now control the major industries of America . . . either will be matched by the development of nation-wide labor organizations, wielding economic and political power

Mr. Richberg, Counsel to NRA

By ARTHUR KROCK

From the NEW YORK TIMES

ONE OF THE most important men in the United States is a Chicago lawyer, Donald Randall Richberg. As general counsel of the National Recovery Administration, his rulings will deeply affect the lives and livelihoods of millions of his fellow-citizens. To the extent that his rulings are objective, the NRA will be conducted on a basis of fair play for all. To the extent that Mr. Richberg's opinions reflect his own viewpoint and philosophy, they will seem prejudiced to certain classes. . . . Mr. Richberg is thought of chiefly as an attorney for railroad labor unions. In that capacity he came to national attention. But his activities have been various. Some of the most important things he has done concern the complaints and rights of ratepayers. For these he has won distinguished legal victories since he came from Tennessee (where he was born of "Aryan" parentage, Herr Hitler) to Chicago years ago. In his most recent utterance, Mr. Richberg may be assumed to have crystallized his social and economic philosophy. He made a radio speech on the night of July 31 in which he attacked as "10 per centers" most of those who are inclined to hang back from participation in business under the blanket code of the NRA. Instead of seeing the Administration's major recovery effort as a war against

depression, as most other people have described it, Mr. Richberg spoke of it as "a war against selfishness and greed that corrupts the individual and destroys the nation, a war against the success of men who take more from their fellow-men than they give in return."

He said that the "long-discussed revolution is actually under way in the United States . . . revolution by the pen and voice." It came "after we had learned that if a nation cannot pay men for working it must pay them for not working." He told the "10 per centers" that when the blue eagle has once flown away he will not return. He ended: "It is . . . a war of ideas—the idea of national welfare against the idea of unrestrained self-seeking—the New Testament against the Old Testament—the Sermon on the Mount against the old Mosaic law."

Strong speech and strong opinions always have flowed from the general counsel of NRA. This was so immediately after his graduation from the Harvard Law School in 1904; when he was a special Assistant State's Attorney for Cook County, Illinois, in 1913-15; and when, after an emotional canter with Theodore Roosevelt, he became a La Follette progressive and director of the National Legislative Reform Bureau of the Progressive party. He has led

of staggering proportions, or all effective aboveboard labor organizations will be crushed and an underground revolutionary labor movement will rise to power."

Mr. Richberg, in the period between the two Roosevelts, has been cynical about political parties. In 1929 he called them "a couple of business syndicates which buy and sell government in a businesslike way. The Republican party that rose with Lincoln and fell with Grant, that was auctioned off by Mark Hanna and given away by Roosevelt, has been operated as a private enter-

prise for several decades. The Democratic party of Jefferson and Jackson fell to pieces in the Civil War and neither the power of public plunder nor the glue of noble words has ever been strong enough to stick Humpty Dumpty firmly together again."

Mr. Richberg is now 52, tall and rangy, of a negligent physical manner. His friends say that his sense of humor is keenest about himself. This, and every other characteristic opinion and purpose that he may have, is of present real consequence to all the citizens of the United States.

Josephus Daniels, Ambassador

By BEN DIXON MacNEILL

From THE AMERICAN MERCURY

SOME UNIDENTIFIED Confederate cannoner made an orphan of Josephus Daniels before he was three years old. There were three of those orphans. The eldest has been longer on the Superior Court bench in North Carolina than any of his contemporaries. The youngest is a lawyer in New York. Both have lived tranquil lives. Judge Daniels lately administered the oath to his brother, Josephus, as Ambassador to Mexico.

Orphans were numerous enough in North Carolina in 1864, but it was a poor time to be one. The Daniels childhood was barren. Of the dead father's relatives, there were none to whom the widow might turn. Her husband had come down from New England, and he was a ship's carpenter. The Yankees captured him along with the town of New Bern, where he was engaged in some matter for the Confederate Navy. Mrs. Daniels was herself an orphan, and an only child of her family. And so, in a town wherein she was but a refugee from the uncertainties of war along the coast, she faced the task of rearing her three sons. I knew her after she was eighty, a gentle, indomitable old lady. Her eyes were like the eyes of her second son.

Along with hard-won bread, she nourished her three boys with the simple moralities. She taught them to work, not because she demanded their help in lightening her burden, but because she knew that men must work. Even now Josephus Daniels can and does do twice the work in a day that he would think of requiring from any of his aides. At seventy-one he can and does still work as long as eighteen hours a day, and then leave his tasks with no apparent diminishing of energy. He works with an absolute minimum of fret, and with no wasting of an ounce of his strength. Only once in a decade did I ever see him when there was any mark of strain on him. I had telephoned him at five o'clock one afternoon that William Jennings Bryan was dead. He came down, and in six hours, with a stubby lead pencil turned out 8000 words on the Commoner.

When the children were very small Mrs. Daniels removed from Washington, N. C., to Wilson. She was appointed

postmistress there, and before he was twelve Josephus was at work in a printing-office. Before he was twenty he had amassed a fortune of twenty dollars, and with it in his pocket he migrated forty-seven miles to Raleigh. With his capital he bought a moribund newspaper. Before he was sixty he refused an offer of a million dollars in cash for it, and in refusing told Mr. Hearst that he would as soon think of selling his wife and his four sons as of selling the *News and Observer*. And that, I think, is the simple truth.

No southern state had yet liquidated the Civil War when Josephus Daniels began in Raleigh. Appomattox was scarcely more remote than Versailles is today, and Carpetbaggery was still rampant. The journalism of the state was in a vast mess. There were all sorts of contending currents of public thought, mostly engendered by private greed. . . . Daniels nailed the grimy standard of Democracy to his masthead and was deaf to any who would have bought him. Democracy paid no dividends in that day. He could have lent his press—a very wheezy and rheumatic press—to a dozen movements and factions, and profitably, but he was Josephus Daniels. He waged war. He waged dozens of wars. Now and then he was badly battered. He was the target of every imaginable sort of abuse, of every improbable vilification. He fought back. His thesis was simple enough: the rights of the common people must be respected.

In addition to his paper, Daniels fought in the councils of his party. He was for long Democratic National Committeeman from North Carolina, through his fellowship with Bryan rather than because of any active wish of the party leaders in the state to honor him. Nowhere had Bryan a more staunch follower, and to Bryan, as much as to anyone, Daniels was indebted for his inclusion in Wilson's official family. But even these two parted, with genuine regret on the part of Daniels, before the Commoner was done with gorging himself into eternity. Bryan departed from Raleigh on his last visit in a huff against Daniels. Daniels trusted Bryan as implicitly as it is in him to trust any man. But only Wilson did he follow blindly.

For the most part, he has mistrusted

the leaders of the party in his own state, but now and then he has done business with them. Very much against the wish of the majority of the state's leaders, its vote went to Wilson at Baltimore in 1912. Daniels held it, or helped hold it, to McAdoo in 1924. Incidentally, he was spokesman for the committee that withdrew McAdoo from the balloting toward the end of the desolating month in New York. I think I have never heard a man so bitterly sworn at as he was that night. He took it smilingly. He was used to it.

Every adult of this generation will recall the tempestuous anathemas that reverberated about his head during most of the years when he was head of the Navy Department. The storm subsided somewhat suddenly and I suppose shamefacedly, when the Navy came through during the war. But probably no Cabinet officer in the history of the Republic was the target of such ridicule as Daniels withstood during the six years before the country discovered that the Navy was actually doing its job. Water that has gone under the bridge has never interested the old man much. He faces up-stream. But now and then, after he got back to Raleigh, he used to chuckle over those years.

There is a room in his wide comfortable house where he has collected the originals of scores of the cartoons that ridiculed him. It is the room where he works when he works at home. He has utterly no rancor about them. . . .

MOST of the ridicule of Daniels was provoked by the famous order that removed liquor from the Navy. Nothing remains to be said about it save the simple truth. Once or twice I have seen the original of the order. It is preserved carefully apart from the rest of the vast accumulation of documents that are in the Daniels files. It is not in Daniels' handwriting, and the name that is signed to it is not his name. But he issued it, and he stuck to it. He never seeks an alibi. He chuckles amiably and lets it go at that. Perhaps this is something that he learned in his earlier newspapering. He cherishes no rancor.

I cannot recall an instance when he has been definitely, conclusively, worsted. As an editor he has withstood successfully a long and constant offensive, and it was so also when he was Secretary of the Navy. In the years after he returned home, it was no less so, with little variation except that no national spotlight was trained upon him. And no sooner was he made Ambassador to Mexico than they began throwing bricks through the windows of the Embassy. I confess that he mystifies me, after all these years. Adroit, I know he is.

The Old Man came home from Washington and took up pretty much the same things that had engaged him before he went away. He went back to the office up front, with its door that virtually opens into the street, and is never closed to anybody who wants to see him when he is in Raleigh. They don't have to ask a secretary. They just walk in. If

Continued on page 61



The majority of cancers —in early stages—can be successfully and completely removed or destroyed by



Surgery, X-rays or Radium

SPREAD the encouraging findings about cancer. Too many people can see only the dark side of cancer. There is a widespread and mistaken belief that cancer is incurable and that nothing can be done to stop its destructive progress. Such belief leads people, who have reason to suspect its presence, to delay having an examination—until it is too late.

Another reason why cancer often gains headway is because in its first stages it is usually painless and therefore disregarded.

Wounds that refuse to heal—warts, moles, scars and birthmarks that change in size or color or become scaly—abnormal lumps or strange growths under the skin in the breast and elsewhere—unnatural discharges—all call for immediate action.

Jagged or broken teeth should be smoothed off or removed. Continued irritation of the tongue or any other

part of the body is often the beginning of cancer. When any one of the first signs of cancer is discovered, there is no time to lose. If an early discovery is made, the probabilities are that surgery, X-rays, or radium can effect complete recovery.

Cancer is neither contagious nor hereditary, although the history of the disease shows that certain types of individuals and certain families are more susceptible to cancer than others.

Some forms of cancer are obscure and can be detected only by a physician who has had long experience with the disease, but many of the ordinary first symptoms would almost surely be discovered in a thorough periodic health examination.

Tell people that cancer in its first stages can usually be entirely removed or totally destroyed. Help to save lives.



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FACTS and TRENDS in FINANCE and BUSINESS

o o o As Seen Through Our Roaming Periscope o o o

More Pay and Less Work

THE FIRST FRUITS OF INFLATION

OURS IS A country of human beings, not a mere aggregation of industries, and it is natural for the individual to inquire—usually of himself—what the New Deal means for him. He has read, or been told, or perhaps has reasoned it out, that these United States are passing through a peaceful revolution, social in important aspects as well as political and economic.

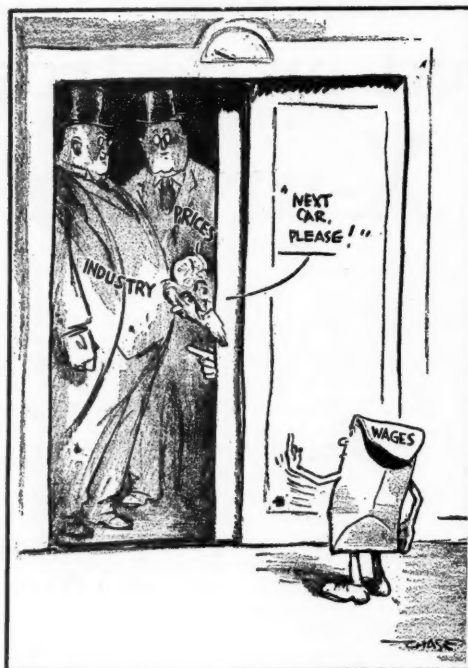
There is even to be more money in existence, if plans are fully carried out, maybe two pieces of greenback where only one grew before. But how is the individual to acquire possession of his share? We shall speak of inflation here not in the limited sense of currency inflation—powers granted to the President by Congress that may never be fully invoked—but rather in recognition of the attempt to raise prices and wages by concerted effort under government urge.

For some persons, fortunately, the question of what inflation can mean has already been answered; they have jobs once more, and incomes, or else the things they have to sell are again in demand at a fair price.

Thirty million Americans live on rural farms, which means that they gain their livelihood through the pursuit of agriculture. Ours is a large country, with crops and crop conditions varying in such degree that it is not feasible to speak in general terms. Wheat, for example, has doubled in price within recent months; but this year's harvest of 500 million bushels is 300 million under the five-year average. It is the smallest crop in forty years. The doubled price thus will not help the wheat farmer much, except those lucky ones far removed from the drought area and those wise ones who refused to give away all of last year's crop.

But the Government began in July to collect 30 cents for each bushel of wheat consumed by processors (flour mills and cereal manufacturers). This is part of the scheme to inflate the price of farm commodities; and the 30 cents per bushel is to be presented to the wheat farmer who agrees to hold down production next year.

The cotton planter is far better off. He has a fair crop, which in southern markets has been selling for 10 cents



By Chase, in the New Orleans Item

THE WAY ELEVATORS RUN

a pound, or 4 cents above the price prevailing in February and March. This in itself does not mean boom times for the cotton belt, for the five-year average (1926-30) was 18 cents a pound. But here again the Government trots forward its "domestic allotment" plan, places a processing tax of 4 1/5 cents a pound on cotton consumed in the United States, and is already handing the proceeds over to those planters who have agreed to plow-under 10 million acres of good cotton land.

Five other products of the farm (tobacco, field corn, hogs, rice, and milk) are to receive direct price inflation if the law is fully carried out, selected so as to influence favorably the value of all farm commodities. The farmer in every case agrees to produce less next year, and it is fair to assume that this smaller yield will command still higher prices then.

The *Annalist's* index of wholesale commodity prices shows farm products at 91 on August 1, compared with 71 on the same day in 1932. This is the statistician's way of saying that last month it required \$91 to buy farm commodities, wholesale, that cost only \$71 a year ago—a rise of nearly 30 per cent. There had been no comparable increase in the price of things the farmer had to buy.

Thus we have suggested what the rumor of currency inflation and the fact

of price inflation have done so far for most of those thirty million Americans who live on rural farms.

ANOTHER TYPICAL individual—and there are millions of him, too—into whose pockets the Government is trying to inject more spending money is the great American wage-earner. Call him a "worker" and the farmer a "peasant", and you have a revised edition of the Russian experiment. By offering certain inducements to employers, and in particular by insuring fair competition, the wages of hundreds of thousands of men and women have been raised within the past few weeks and their hours of labor so reduced as to give employment to others.

"More pay and less work" is the new slogan, signed on the dotted line by employer as well as employee. A single "code"—that of the public utilities—is estimated by the chairman of its formulating committee to give work to 50,000 additional employees. And there was a code for every industry in every community. If you had no code of your own, there was a blanket code which you must adopt.

Wage deflation was checked, wage inflation was substituted, in a vast effort under government auspices to create additional mass purchasing power.

In a third important particular the Government led the way toward recovery, by proceeding with the expenditure of upwards of three billion dollars. This was to prime the pump. If industry and individuals lacked the courage or the cash to "buy now", the Government would start the ball rolling.

Most of these huge government expenditures are to be in the form of loans for local self-liquidating projects: bridges, tunnels, highways, model housing projects, and what not. The first large-scale example of government spending, though not self-liquidating, was last month's award of contracts for naval vessels. Economy and a hope of further international disarmament had brought the navy below par. Thirty-seven ships are to be built, twenty-one of them in private yards at an expenditure of \$130,000,000. A shipbuilder ventured the opinion that this single decision of the Government will give work to 30,000 men, in every state of the

Union, for two years and a half. And the Government is prepared to spend twenty times that amount of money.

GREATER THAN all these achievements of planned, if indirect, inflation is their effect upon business in general. Economists may argue for years to come whether this upward swing in the cycle—a minor swing now, that may grow to be a major one—was to happen anyway. But no one can deny that its incidence coincides with these plans for inflation.

What are some of the results? The President of the American Federation of Labor estimates that 600,000 industrial workers found jobs in June, with figures for July not yet available. A single employer, the New York Central Railroad, reports an addition of 19,341 to its payrolls in June and July. The automobile industry, at a guess, employed twice as many men in April-May-June as in the first quarter of the year. These are straws that show the direction of the prevailing wind. And it should be remembered that "codes" did not influence reemployment until August 1.

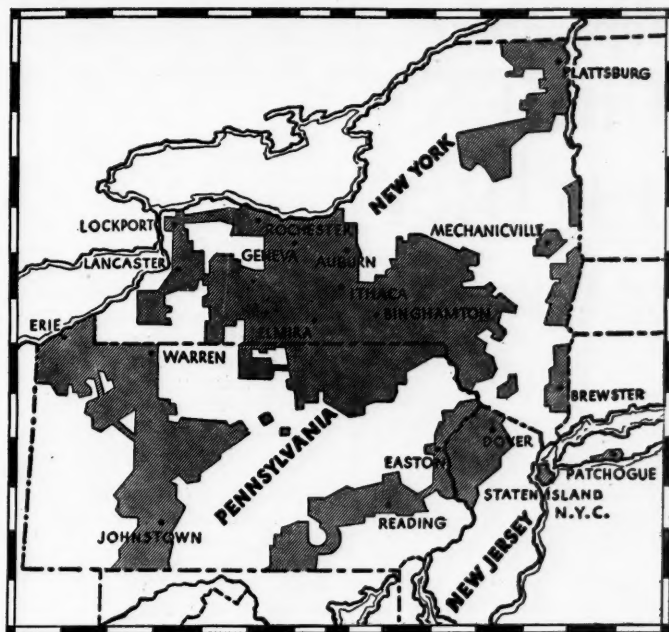
There is no accurate index to white-collar workers. Reemployment for them will lag, and wage increases may do more than lag. Our now-famous codes even exempt from shorter hours those "executives" who happen to be paid \$35 or more a week.

Wall Street clerks are an outstanding exception, fast returning to their old status under the influence of revived public interest in speculation and investment. In January and February, to prove a point that does not need proof, about 19 million shares were sold each month on the New York Stock Exchange; in June and July more than 120 million shares were sold each month. Wall Street enjoyed a 500 per cent gain in business. More work, more clerks, more pay was the formula.

Having considered here the effect of inflation upon peasants and workers, it remains only to suggest that capital too has put on a new dress shirt. Corporations everywhere are reporting better earnings, though the benefits to employers under the National Industrial Recovery Act will not be noticeable immediately, as were the benefits to employees. But whatever you own—there may be rare exceptions—has more value now, if you wish to dispose of it, than it had a half-year ago.

Sidelights

- **STRIKES** have been looked forward to by many as an infallible sign of returning prosperity. There was an epidemic of them in early August—notably coal workers in Pennsylvania—but strikes are tabu under the new order of things, and they were soon settled.
- **CHRYSLER** Corporation turned a three-million-dollar loss in the first quarter of 1933 into a second-quarter profit of seven millions. In such fashion has industry laid the foundation for a new era of prosperity. Chrysler incidentally—with its Plymouth car—achieved second place in automobile production during that same second quarter.



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• **STEEL** Corporation earnings also became a fact in that same quarter. Operations in July were 53 per cent of capacity compared with 20 per cent in April. Payrolls during July were greater at the rate of \$2,000,000 a month.

• **VERTICAL** transportation speed records have been set by the RCA Building, in Rockefeller Center, New York's newest skyscraper. The sixty-fifth floor is reached in 37 seconds, a speed of 1400 feet per minute. This is double the speed fixed as maximum, until recently, by the city's building ordinances.

• **RAILROAD** net operating income last June was nearly five times that for June, 1932. It even exceeded income for June, 1931. This is the most cheering

news for railroad transportation since the great slide began, four years ago.

• **COTTON** mill activity in June was at the highest rate in record. The largest consumption of cotton in any one month of 1929 was 668,000 bales. This June 696,000 bales were used.

• **DEPARTMENT** store trade, as an index to prosperity, will be watched closely now that the summer slack season is about over. Prices may have moved upward faster than the ability to buy.

• **BROKER'S** loans, which amounted to more than six billions in 1929, and dipped to about 300 million in 1932, now hover around 900 millions.

September CURRENT HISTORY

Redraw the Map of Europe?—

Professor Albert Guerard, a French scholar who has long been identified with American colleges, deals in detached and realistic fashion with the ever-dangerous question of treaty revision, and points to the futility of altering frontiers.

The World Economic Conference:

I—*The Clash of National Policies*—H. B. Lees-Smith, a former British Cabinet Minister, describes the clash of British, French and American views at the London conference.
II—*An International Comedy*—William Hard, American newspaper correspondent, pictures the interplay of personalities at the conference in his characteristic manner.

Planning in the Tennessee Valley

Dr. Arthur E. Morgan, chairman of the Tennessee Valley Authority, explains the purposes of the vast project and its significance for the future of America.

The Challenge to Organized Labor

Lewis L. Lorwin shows how American trade unionism has disintegrated during the depression and how the Recovery Act has brought organized labor to a turning point in its development.

America and the Russian Market

Miles M. Sherover sets forth the possibilities of trading with Russia, and the safety insured by the system of planning employed by the Soviet foreign trade monopoly.

White Failure in the East Indies

Thomas Steep tells the story of the white man's retreat from the Dutch East Indies because of the depression and of the growing menace of Japanese economic penetration.

The Drive for a Minimum Wage

Ethel M. Johnson, long experienced in the administration of minimum-wage laws, traces the growth of such legislation up to its acceptance in principle as part of the New Deal.

The German Socialist Dêbâcle

Ludwig Lore diagnoses the weaknesses of German Social Democracy which made it fall an easy victim before the Nazi onslaught.

Is America Ripe for Fascism?

V. F. Calverton examines the arguments that the United States is going the way of Italy and Germany.

A Month's World History

Developments in American domestic and foreign policies and the many happenings during the past month in all countries of the world are surveyed in thirteen articles written by specialists in their respective fields.

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"Wholesale" Hoax

Continued from page 44

For example, it is not particularly difficult to buy an electric refrigerator through a wholesaler, and even direct from the manufacturer, at a discount. Incidentally, when one buys an article of this kind, it is easy enough to determine whether a price reduction is being obtained inasmuch as the prices are standard. Even here, however, deception is frequently practised by passing off old models as current models.

In any event, assuming that one has succeeded in obtaining a new and perfect model there is still the possibility, which exists with any mechanical contrivance, that some hot day it is suddenly going to emit some peculiar grunts and then cease functioning. What is the owner to do? He cannot secure service from the wholesale distributor or the manufacturer. Actually, he has no choice other than to call in the local service man, who is usually the local retail agent. If the latter doubles his usual service charge for work, by the way, which he would probably do at no charge if the machine had been bought from him, is he to be blamed?

BUT THE BUYING public is not the only loser in this discount game. It has unfortunate aspects for the manufacturer and retailer as well. More than one manufacturer has had many of his employees quite thoroughly demoralized as a result of a little racket that some clever mind devised. The plan is simply this: In many plants, employees are privileged to buy the product or products made there at a discount that usually compares favorably with the price paid by the retailer. A few employees will eventually see the possibilities of building up a neat little business on the side by purchasing the product at the employee's discount and re-selling it at a slightly higher price. Other employees learn the trick and follow suit. Before long, these workers become more interested in selling the product than in making it. Then the manufacturer finds that he has a personnel problem on his hands.

Another problem that sometimes comes up is illustrated by a large manufacturer who arranged for his 20,000 employees to buy electrical products at a discount by placing their orders with recognized wholesalers. Filling the wants of these 20,000 employees, alone, was considerable of a nuisance. But when their families, and their friends, and friends of their friends, began to take advantage of the wholesale buying privilege, havoc was played with that manufacturer's distributors.

It is no secret that, at one time, cameras could not be sold by retailers, at regular retail prices, in the city of Rochester. It was so easy to arrange to buy through the factory that few people thought of purchasing a camera over a retail counter. However, when the Eastman Kodak Company looked into the matter, and observed the multitude of evils that stemmed from it,

Continued on page 60

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AT LA SALLE

SEPTEMBER, 1933

Has Hitler Scored?

Continued from page 42

are the main taints against which the law is directed. Thereby, hereditary diseases will (it is stated) be greatly curtailed; while potential human misery and the expense of public care will be in large part eliminated. It is a public health measure, pure and simple.

Denmark and one Swiss canton have preceded Hitler, with milder sterilization laws. Twenty-seven states of the United States have similar laws; and Dr. Harry Hamilton Laughlin, prominent eugenicist of the Carnegie Institution, praises the German law. Fifteen thousand Americans have been sterilized since 1907. Germany, however, is the first major nation to attempt sterilization uniformly and in thorough style. One generation, it is said, will make a vast difference in the quality of the race. The Nazis, it will be remembered, are convinced believers in eugenics. Once more Hitler shows his unflagging energy.

And so, it is up to Handsome Adolf. Germans have remarked to the writer that things could not be worse, and that with the Nazi enthusiasm, which is seemingly boundless, things might improve. It is now too soon to prophesy, although unemployment seems to be gradually lessening. Should Hitler turn the trick, it is safe to predict that the German working class would turn from Karl Marx to the Swastika. It is at least a hopeful sign when carefree Bavarians—Hitler, Goering, Frick, Straser, Feder, Von Epp—become the leading exponents of the rigorous Prussian virtues: honesty, efficiency, and hard work.

The party headquarters is still in Munich—in the famous "Brown House"—but the Nazi spirit is that of Frederick the Great, old national hero of the Prussian state. To him the Nazis look.

These men certainly get things done. There was the eternal Catholic question, for one-third of the Germans are members of the Church of Rome. Von Papen, a Catholic ex-Chancellor, was sent to visit the Pope, and a concordat was promulgated whereby Catholics are given untrammelled freedom in all their religious activities within the Reich. In return, the Pope agrees not to interfere in German politics. Formerly he had exerted influence through the Catholic Center party of ex-Chancellor Bruening, but this party—along with the others—has been dissolved. There now appears to be mutual understanding. Under Bismarck there was tremendous religious discord, in which the Iron Chancellor reaped no laurels.

The Swastika, with its whirling legs, symbolizes unflagging energy as well as the *Hitler Gessellschaft*. Hitler is alleged to have done much that is bad. Upon investigation it appears, however, that there is another and happier side to the question.

Heil Hitler! From the Baltic to Trieste, from New York to Moscow, this war cry is heard around Europe and across the world with highly mixed emotions. But whatever the feelings of the far-flung listeners, all are in agreement that The Leader is a factor to reckon with in the future.

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Off the Beaten Track

GOING TO South America is one thing; going around it is another. But in a fifty-two day vacation both things can be done. First leg of such a trip lasts two weeks at sea, with New York at one end and Rio de Janeiro at the other. From there on the distance between stops is shorter. The steamer continues down the Atlantic coast to Santos, Montevideo, and Buenos Aires. Three days are spent here. Then follows a twenty-four hour journey by train across the Argentine Pampas, and a twelve-hour daylight train trip up and over the sky-scraping Andes. At Valparaiso, Chile, on the west coast of South America, the north-bound part of the trip starts—on a different ship. Up the coast it goes, stopping at strange ports along the way. Then through the Panama Canal, and you head on across the Caribbean with Havana the only stop between you and New York.

• • IF YOU REALLY want an out-of-the-way trip, ask a travel agent about this one through Africa, from Alexandria to Cape Town. (A travel agent, by the way, is the person to see for further details about any of the trips which these brief paragraphs can do no more than suggest as possibilities.) The through-Africa tour starts at Naples and ends in London four months later. The African portion itself breaks up into

some six thousand miles of travel by rail, three thousand miles by automobile, and fourteen hundred miles by lake and river steamers. Never do more than nine persons at the same time make one of these recently inaugurated tours, so you won't have to compete with many others when you get home and talk about things seen. Your tales will be of mountains and plains, of jungles and deserts, of big game, the Nile, Victoria Falls, the Congo—of an Africa known only to those few who can take this organized tour in search of adventure.

• • NEW ZEALAND boosters will tell you that, once you have reached South Island (New Zealand is made up of two islands), your trip will have been in vain unless you take three days to walk from Lake Te Anau to Milford Sound. This "world's wonder walk" follows a thirty-three mile trail through the heart of a district rich in mountains, glaciers, lakes, waterfalls, forests, and fjords—for fjords are not the exclusive property of Norway. Nights en route are spent in rustic, but comfortable, hotels. It is a leisurely walk, this one, and its rewards of intimacy with unsurpassed beauties of nature are worth far more exertion than it demands.

• • UP THE Amazon river, a thousand miles from the sea, is Manaus, Brazil. Here the Rio Negro empties into the

mighty Amazon, and to this point a steamer carries passengers on one of the least traveled of the world's great rivers. The start of the Amazon cruise can be either New York or London, and the length of time approximately seven weeks. During the river trip a variety of scenery is seen along the banks. In places the river narrows to a mile, swift and deep in its flow. Elsewhere it spreads out for several miles on each side of the boat, lapping its unseen way into swamps known only by savages and strange creatures of water and land.

• • A MEDITERRANEAN CRUISE by air is an opportunity which Great Britain's Imperial Airways offer, and which Americans traveling abroad are learning to appreciate. Strictly speaking, it's not an all-air cruise. After the hop from London to Paris the next step, over the Alps and down the Italian boot to Brindisi, is by crack train. On the third day of this sixteen-day excursion travelers fly along the Dalmatian Coast to Athens, where the night is spent. Twenty-four hours later the plane reaches Galilee and the Holy Land. Here there is a two-day pause and then a flight to Cairo. In Cairo and Alexandria, reached by train, there are four free days. Then a quick flight from Alexandria straight across the Mediterranean to Crete and on to Athens and Brindisi. The train trip from here back



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SOVIET UNION

Off the Beaten Track

Continued from page 58

to Paris passes quickly and then comes the last lap—the flight across the channel to London.

• • • **THREE MONTHS** in the South Seas and the Orient! That's the schedule planned for the S. S. *Lurline* when she steams out of San Francisco next January. Three busy months they will be, too, for the cruise will cover twenty-four thousand miles and touch at eighteen ports before the members sight the Golden Gate again. Backed by the reputation won on the *Lurline's* maiden voyage, last year, over this same route, and by the prestige of the travel organization responsible for the coming cruise, plans promise much. The route will be from San Francisco to Los Angeles, thence to Honolulu. Then on to Samoa, Fiji, New Zealand, Australia, New Guinea, and Java. In Asia—Siam, China, and Japan will be visited before the return journey, by way of Hawaii, starts. At the end of last year's cruise a voyager summed it up thus: "To enchanted South Seas realms . . . to the redolence of incense and musk . . . to tom-toms, temple bells, and brown-limbed dancers . . . to lands of the lotus where almond eyes plead before gods of emerald and brass."

• • • **A MONTH'S TRIP** fraught with interest is "The Golden Road to Samarkand"—and points beyond. Starting from Constantinople, cruise members sail for a week along the shores of the Black Sea. The route is over the same waters that Jason sailed in search of the Golden Fleece, but today's voyagers stop at Odessa, the seaport of the Ukraine, and

then Sevastopol and Yalta. Here, where Russian royalty once spent its winters, Soviet workers now relax. The ship plies on along the coast, past other vacation towns of the new Russia, to Batumi, where passengers entrain for the two-day trip across the Caucasus to Baku and the Caspian Sea. Midway is Tiflis, meeting place of Europe and Asia, a city where seventy varying tongues are spoken. Somewhere nearby is the mountain top to which Prometheus was bound. The trip across the Caspian, an inland sea eighty-five feet below sea-level proper, takes eighteen hours, with Krasnovodsk as the destination. Here waits a special train which for twenty days will be a traveling hotel en route to Moscow. It is an unusual and leisurely ride, this trip through Turkestan to Samarkand, and on this leg, as on others, frequent stops are made. Because the region is semi-arid, cities have had to cling close to rivers that flow from snow-clad mountains and lose themselves in the desert lands. Nomads and roving tribesmen know the region best, and camel trains creep slowly along the way that once saw spices and teas borne on caravans returning from the east. Further along the great circle traced by the train is Samarkand, ancient city of learning and mystery. On again the train goes, pushing through mountain valleys north of China, and on up into Siberia. At Novo Sibirsk, mile-post of round-the-world flyers, the last lap starts. It is a long journey across Siberia and the Ural mountains, then through the plains of the Tartar region, sparsely citted. But Moscow lies ahead.

The Great Wholesale "Hoax"

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the company quickly decided to bring the matter under control. Stringent policies were put into effect which, while they continued to give employees the privilege of a discount, so hedged the privilege with restrictions that abuses were fairly well wiped out. Today, retail stores in Rochester sell plenty of cameras at regular prices.

THEN there is the retailer's angle. The retailer suffers in many ways. He suffers a direct loss of volume that runs up into the millions. He suffers from an unfair price comparison whether the consumer really gets the wholesale price or not. As already mentioned, the consumer is not capable of comparing values and, believing as she does that she has obtained for \$16.50 a coat that would retail at \$27.50, she immediately becomes convinced that the retailer is taking an unholy profit.

From every point of view, the practice is to be condemned, but particularly from the viewpoint of the terribly imposed-upon public. The great wholesale hoax has cost the American public almost as much as has been lost in blue

sky promotions. The only difference between the two is that the latter has been broadly publicized while the former has been permitted to pursue its own sweet way without let or hindrance.

It is encouraging to every legitimate business factor to observe that, under the National Industrial Recovery Act, progress in curbing this abuse may be made. Already, several manufacturing industries, in their codes, have voted against "courtesy" selling. Several wholesale groups have also made moves in the same direction. It is to be hoped that, eventually, retailers will get around to a discussion of this point and see fit to include in their codes a resolution to refrain from buying from manufacturers who make a regular business of selling to the general public. When that is done, the public will be forced—for its own protection—to buy through the regular retail channels of trade. Coincidentally, a large number of manufacturers and distributors who have existed solely through their ability to mulct a public blinded by a desire to get bargain prices will have to seek more legitimate sources of income.

The Road to Industrial Recovery

Continued from page 34

expense accounts. The genuine importance of conventions will increase henceforward, because of the necessity of discussing trade practices; but much of the time spent at conventions is sheer waste.

The public should not be made to pay such high prices as to support all this rigamarole, and to enable pompous men to play the rôle of so-called "telephone presidents," that is, men who spend the day at golf and telephone to the office once or twice a day. There are too many executives who tend to think that by such easy means they can keep a hand on the controls of their business. Many of them, too, like to pose as grand strategists, grand administrators, taking long journeys away from their business, and regarding themselves as remote and majestic Napoleons. This example is infectious; other executives in the company catch it, and the production costs increase accordingly.

These clearly observable facts should warn us not to engage in price-fixing except for the most special reasons and with the greatest precautions. Price-fixing in any form is generally a premium on inefficiency. It always develops indifference on the part of the management towards reducing the cost of goods, because the increased cost can be easily passed on to the consumer. Thus the processes of the company are not improved, and the employees are allowed to slacken in their workmanship. The dangers of price-fixing are so great that, if it is permitted at all, it must be kept under close government supervision.

Another source of inefficiency that needs particular attention is the slackness of cost-accounting methods. Trade associations have done much since the war to cause an improvement in this respect, but there are still too many companies that do not know what it costs them to produce their goods. Among other things, they have never learned to figure their depreciation costs correctly. Some of the price-cutting that did so much harm in the past two or three years was due to sheer ignorance of costs. It is gratifying to observe that many of our trade associations, under their new codes, are planning to reform the cost methods of their members. In

this way they will promote efficiency, keep producers solvent, and protect consumers against irrational price increases.

I think we can look forward to a general eradication of obvious bad practices in business. Competition should be fair. One of the evils that deserves attention is the sale of certain articles at a loss, in order to attract customers for other articles. As chairman of the Federal Trade Commission nearly two decades ago I said: "Frequently one of these articles may be the sole product of an individual who is striving and struggling to exist, against a firm which is placing the same article on the market as a means to help take care of its overhead expense. Surely this is not wholesome competition." I am just as sure of it today. It will be good news for American business when the sale of so-called "loss leaders" is done away with.

UNDER fair competition, we can look forward to a new expansion of business. There is still room for plenty of standardization in manufacturing processes. There is room for countless new inventions. Millions of people have attended the Century of Progress Exposition at Chicago this summer and have there witnessed some of the amazing examples of manufacturing technique. I know from personal experience that most inventions are the result of one inventor's seeing the other fellow's machine. This is one important consequence we may expect from the World's Fair.

There will be more significant inventions during the coming decade; there will be an increasing decentralization of industry, to avoid excessive transportation costs; there will be a general growth of productive efficiency, and an elimination of competitive practices that injure most producers for the benefit of a minority; there will be more coöperation for the general good. And I look forward to a very large relaxation of governmental supervision after the emergency has passed. Wherever competition can prove "the wholesome governing force it ought to be," the American people should eventually see to it that the governmental hand is relaxed.

Josephus Daniels, Ambassador

Continued from page 52

the door chances to be closed, they open it. By nine thirty he would be down, and as often as not he would be there until toward midnight. He wrote his own editorials. He also wrote for a syndicate. He wrote a story of the navy at war, and then a life of Wilson.

If none of the staff happened about, he would answer the telephone and take down a petty personal item with meticulous care. He went about, renewed old acquaintances, and got himself into frightful conflicts with the current Governor, who happened to be Cameron Morrison. He reorganized his Sunday-school class, which numbers virtually the entire student body of the State Engineering College. He built him a wide

comfortable house that cost more than \$100,000, and his neighbors said that he had got rich grafting in Washington. As a matter of fact, he paid for the house out of proceeds of Chautauqua lecturing.

Daniels is the last of the 1890 model idealists, with modern improvements, that, once you get a near look at them, seem not at all incongruous, no matter how grotesque they may appear at a distance. He is seventy-one, but he is unable to grow old. He persists, perhaps, because of his practical cognizance of the fact that, off-hand, anybody can recall the names of a great many martyrs, but it would take considerable research to disclose the name of the stone-throwers who brought them down.



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You can pick up "Athlete's Foot" in the most spotless bathrooms and showers of the best hotels—in clubs or locker-rooms—anywhere that bare feet walk on wet floors. And you can spread it in your own bathroom.

Better examine your toes tonight. Is the skin turning red in spots? Are there blotches of dead white skin, stickily moist? Blisters? Skin cracks?

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The March of Events

Continued from page 47

THE WORLD ECONOMIC and Monetary Conference takes a recess (July 27) until October. Optimistic speeches by Chairman MacDonald and Secretary Hull, speaking directly for President Roosevelt, stand out in sharp contrast to other countries' openly pessimistic views of the Conference's future usefulness.

GREAT BRITAIN and her dominions stand together (July 27) in announcing that they will attempt to steady currencies among themselves, and that the empire will remain faithful to a monetary unit based on sterling and divorced from both gold and the dollar. They intend to follow their own policy in regard to boosting commodity prices, and wish to return to an international gold standard when all nations are prepared to take the step simultaneously.

Aviation

The month sees new records and accomplishments in the air.

WILEY POST lands (July 22) at Floyd Bennett Airport, New York, thus bringing to a successful conclusion a record-breaking flight around the world. Flying solo in his high winged monoplane, he completes the circumnavigation of the globe in 7 days and 19 hours, almost a day less than the time required by him and Harold Gatty when, in 1931, they established a record for the trip.

ONLY SIXTY MILES from their goal, New York City, Captain James A. Mollison and Amy Johnson Mollison crash (July 23) while making a forced landing near the airport at Bridgeport, Connecticut, after a non-stop flight from Pendine, Wales. Their twin-engined airplane is demolished; but the fliers escape fatal injuries.

A NON-STOP FLIGHT of nearly 6,000 miles, from New York to Rayak, Syria, gives two Frenchmen, Paul Codos and Maurice Rossi, the long distance record for a non-stop airplane flight. They land in Syria (August 7) fifty-six hours after leaving New York.

GENERAL ITALO BALBO's fleet of twenty-four seaplanes reaches the Azores (August 8) after hopping from Newfoundland on one of the final legs of their epoch making flight from Italy to Chicago and return.

Events Abroad

Unrest is the keynote of the month's foreign news.

A N ASSORTED GROUP of 500 Spanish conservatives and radicals is arrested (July 25) as a result of an alleged attempt to overthrow the Socialist-dominated national government.

TWENTIETH NATION to take the step, Spain (July 27) formally recognizes the Soviet Union. Trade treaties between the two nations are under consideration,

but at the time of recognition are not completed.

NAZI ATTEMPTS to quash all opposing political parties in Germany are continued (July 29) as police in the country's principal cities make simultaneous raids on all places suspected of being the source of Communist propaganda. Approximately 250 arrests are made.

MAHATMA GANDHI, his wife, secretary, and thirty followers are arrested (August 1) by the Government of India as they prepare to start on a march calculated to win new followers to the civil disobedience campaign.

NICARAGUA is declared under martial law by President Juan Sacasa (August 2) following an explosion of an arsenal in Managua. Believed to have been an accident rather than the work of plotters, the explosion causes heavy damage and destroys most of the republic's munitions.

MORE THAN 12,000 Russian political prisoners, accused in the past of conspiring to hinder completion of industrial projects, are freed by a general amnesty order issued (August 4) by Joseph Stalin.

ACCORDING to reports from foreign correspondents (August 4), Great Britain and France are collaborating in the investigation of rumors that German arms factories are working overtime in producing munitions with which Germany is being rearmend in violation of the Versailles Treaty.

AS REPRESENTATIVES of Great Britain and France call (August 4) at the German foreign office with identic notes protesting against Nazi interference in Austrian affairs, they are told that "Germany regards this intervention in Austro-German difficulties as inadmissible". Great Britain and France had suggested that Nazi propagandizing in Austria, against the express wish of that country, was a violation of the recently signed four-power pact.

NATION-WIDE strikes in Cuba, and political differences between the three major political parties, culminate as police shoot into a crowd demonstrating outside the capitol building (August 7). Forty people are killed. The crowd was celebrating over a report, later proved false, that United States Ambassador Welles had persuaded President Machado to resign. Ambassador Welles is known to be in close communication with Washington and President Roosevelt in regard to the serious condition of Cuban politics.

ENGLAND will not only cooperate with France in discouraging Nazi propaganda in Austria, it is announced in London (August 8), but will carry the matter to the League of Nations. This action is threatened if events lead her to believe that the German government

is violating Austrian independence. The appeal would be under Article XI of the League covenant, which declares it the right of any power to advise the League of any circumstances which threaten to disturb international peace.

Law

War on kidnapping . . . The Wet tide continues to rise.

FOR THE FIRST TIME in the United States the death sentence is imposed on a kidnapper (July 27) as a Kansas City Jury finds Walter H. McGee guilty of abducting Miss Mary McElroy last May. Police and civic law enforcement bodies of the nation regard the sentence as a powerful weapon against the country's widespread wave of kidnapping.

ASSISTANT SECRETARY of State Raymond Moley is temporarily released from his duties by the President (August 2) in order to conduct a special survey of crime prevention for the Department of Justice. Appointment of Assistant Secretary Moley is in line with President Roosevelt's announced intention (July 26) to throw the strength of federal forces against kidnapping and racketeering.

ARIZONA, for eighteen years a stronghold of dry forces, votes three to one in favor of ratifying the proposed Twenty-first Amendment to the Constitution (August 8). She is the twenty-first consecutive state to take such action. Other additions to the repeal wave this month: Alabama (July 18); Arkansas (July 18); Tennessee (July 20); Oregon (July 21).

Obituary

GILBERT N. HAUGEN, 74. For thirty-four years a Congressman from Iowa. Co-author of McNary-Haugen farm relief bill—(July 18).

MAX VON SCHILLINGS, 65. Famed German conductor-composer—(July 24).

LOUISE CLOSSER HALE, 60. Stage and motion picture actress. Author of novels, travel books, plays—(July 26).

FIELD MARSHAL NOBUYOSHI MUTO, 63. In command of Japanese army activities in Manchuria—(July 27).

CHESTER S. LORD, 83. Former managing editor of the New York Sun. Prominent educational leader in New York state—(August 1).

ELISHA LEE, 62. Vice-president of the Pennsylvania Railroad. Prominent in war-time rail activities—(August 6).

ARTHUR POWELL DAVIS, 72. Internationally known American engineer. Supervised early stages of Boulder Dam—(August 7).

JOHN I. ROMER, 63. President of the Printer's Ink Publishing Company and the Romer Publishing Company in New York. Initiated the "truth in advertising" movement—(August 9).

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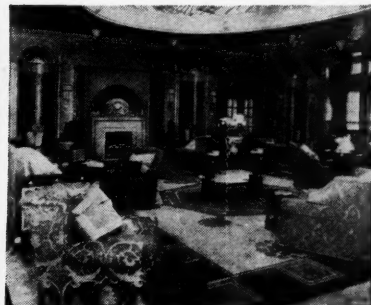
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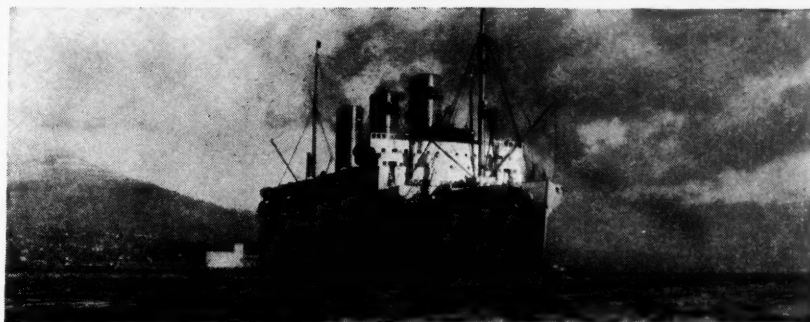
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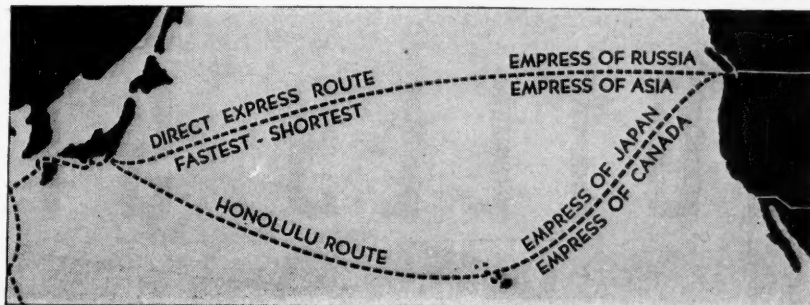
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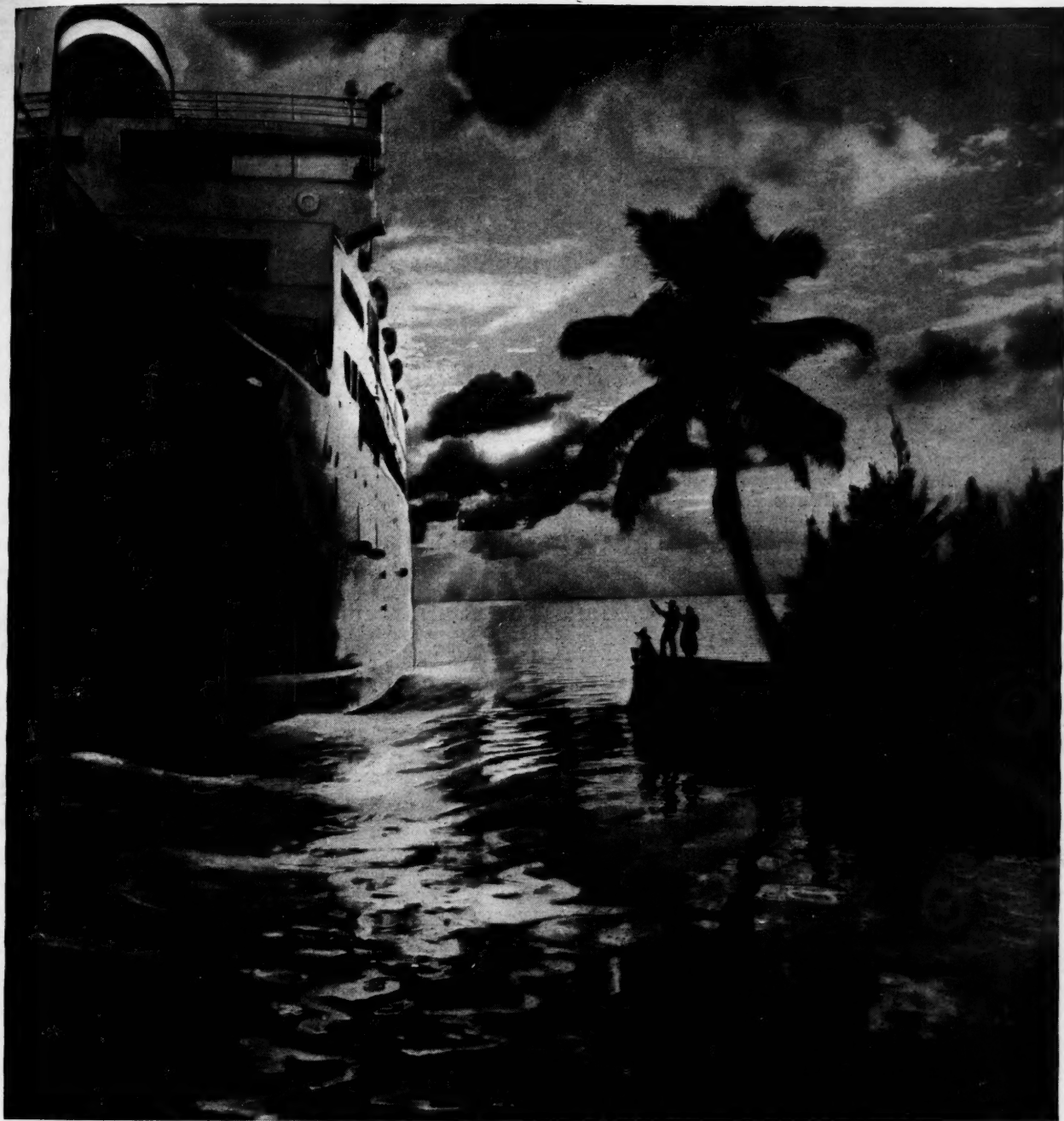
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